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GOVERNMENT AND ADMINISTRATION

Parliament

LIBERAL SUPPORT FOR GOVERNMENT

Following an agreement between the Government and the Parliamentary Liberal Party, a Conservative Opposition motion of no-confidence in the Government was defeated on 23 March by 322 votes to 298; a majority of 24. The 13 Liberal MPs have indicated that in future they will give the Government support in return for formal consultations on Government policy, and some specific undertakings.

The Prime Minister, Mr James Callaghan, told the House of Commons (*Hansard*, 23.3.77, cols 1294-310) that the Government, half-way through the life of the present Parliament, wished to see its policies resolutely followed through. To this end, there had been conversations with many people in the House of Commons, including the Leader of the Liberal Party, Mr David Steel. 'It is our view', Mr Callaghan said, 'that there is a sufficient identity of interest between us at present to establish some machinery that will enable us to consult each other about future developments in this Parliament.' The arrangement would 'give the Government the opportunity of maintaining a stable position while they carry through their economic and social policies. It will enable us to take away... the instability of the Government not knowing from day to day what will be the position of the Opposition. For that reason I am certain that this is in the national interest.'

The agreement between the Government and the Liberals – to last in the first instance until the end of the present parliamentary session – is not for coalition, for both parties will retain their independence for electoral purposes, and in the House of Commons. However, a joint consultative committee has been established in order that Liberal MPs can examine Government proposals and make suggestions before they are introduced into the House, and there will be regular meetings between the Prime Minister and the Chancellor of the Exchequer on the one hand, and Mr Steel and Mr Pardoe, the Liberal Party's economic spokesman, on the other.

In addition, the Government has agreed to consider Liberal proposals for proportional representation in elections to the European Assembly and to the proposed Scottish and Welsh Assemblies, and to allow free votes in the House of Commons on the method of election in both cases.

The joint statement agreed by the Prime Minister and Mr Steel, published after the vote on the Opposition no-confidence motion, was as follows:

'We agreed today the basis on which the Liberal Party would work with the Government in the pursuit of economic recovery.

'We will set up a joint consultative committee under the chairmanship of the Leader of the House, which will meet regularly. The committee will examine Government policy and other issues prior to their coming before the House, and Liberal policy proposals.

'The existence of this committee will not commit the Government to accepting the views of the Liberal Party, or the Liberal Party to supporting the Government on any issue.

'We agree to initiate regular meetings between the Chancellor and the Liberal Party economic spokesman, such meetings to begin at once. In addition the Prime Minister and the Leader of the Liberal Party will meet as necessary.

'We agree that legislation for direct elections to the European Assembly in 1978 will be presented to Parliament in this session. The Liberal Party reaffirm their strong conviction that a proportional system should be used as the method of election. The Government is publishing next week a White Paper on direct elections to the European Assembly which sets out the choices among different electoral systems but which makes no recommendation. There will now be consultation between us on the method to be adopted and the Government's final recommendation will take full account of the Liberal Party's commitment. The recommendation will be subject to a free vote of both Houses.

'We agree that progress must be made on legislation for devolution and to this end consultations will begin on the detailed memorandum submitted by the Liberal Party today. In any future debate on proportional representation for the devolved assemblies there will be a free vote.

'We agree that the Government will provide the extra time necessary to secure the passage of the Housing (Homeless Persons) Bill, and that the Local Authorities (Works) Bill will now be confined to provisions to protect the existing activities of direct labour organisations in the light of local government reorganisation.

'We agree that this arrangement between us should last until the end of the present parliamentary session when both parties would consider whether the experiment has been of sufficient benefit to the country to be continued.

'We also agree that this understanding should be made public.'

During the debate on the no-confidence motion, Mr Steel said (*Hansard*, 23.3.77, cols 1310-20) that it was contrary to the national interest and 'one of the deeply destructive factors in our economy' that there had been a lack of continuity in economic planning, and that therefore a third general election in three years would not be desirable. The agreement would 'get the country through the difficult period ahead, especially the pay negotiations'. Mr Steel continued: 'It is my belief that it is possible that people will get to like the taste of co-operation and want more. It may well be that they find the artificial party battle in this place a little irrelevant to many of the ordinary problems that they face.'

The Government majority of 24 against the Opposition no-confidence motion was made up as follows:

Against	
Labour	307
Liberal	13
Independent (Northern Ireland)	1
Social Democratic and Labour (Northern Ireland)	1
TOTAL	322
For	
Conservative	275
Scottish National	11
Plaid Cymru (Welsh Nationalists)	3
Scottish Labour	2
United Ulster Unionists	7
TOTAL	298

Three Ulster Unionists abstained, and one Labour and one Conservative member did not vote.

BY-ELECTION

The Conservatives gained the seat from the Labour Party with a majority of 1,949 in a by-election on 31 March in Birmingham, Stechford.

The successful Conservative candidate, Mr Andrew MacKay, replaces Mr Roy Jenkins as the constituency's MP. The by-election was caused by the resignation of Mr Jenkins to become President of the European Commission.

The results were as follows:

A. MacKay (Conservative)	15,731
T. Davis (Labour)	13,782
A. Brons (National Front)	2,955
G. Gopsill (Liberal)	2,901

Two other candidates each received less than 500 votes in a poll in which 58·8 per cent of the electorate voted.

As a result of the by-election, the state of the parties in the House of Commons is as follows:

Labour	310
Conservative	279
Liberal	13
Scottish National	11
United Ulster Unionists	10
Plaid Cymru (Welsh Nationalists)	3
Scottish Labour	2
Social Democratic and Labour (Northern Ireland)	1
Independent (Northern Ireland)	1
Vacancies	1
TOTAL	631

In addition, there are the Speaker of the House of Commons and his three deputies (the Chairman of Ways and Means and the first and second Deputy Chairmen of Ways and Means). They do not vote except in their official capacities in the event of a tie.

PARLIAMENTARY COMMISSIONER FOR ADMINISTRATION

Future holders of the office of Parliamentary Commissioner for Administration – the 'ombudsman' responsible for investigating complaints by the public of Government maladministration – will be chosen from more diverse backgrounds than hitherto. The three holders of the office to date have all been former civil servants.

In reply to a report of the House of Commons Select Committee on the Parliamentary Commissioner for Administration, the Lord Privy Seal, Lord Peart, says[1]: 'It is desirable for successive holders of the post to bring to it diverse experience of relevant fields of public administration; and that since the three appointees to date have been from the Civil Service, the next appointee should be someone with substantially different experience, perhaps from local government or the nationalised industries.'

The select committee, which supervises the work of the Parliamentary Commissioner and makes suggestions to the Government on the basis of his findings, has commented critically on the method of making the appointment.

Lord Peart also accepts that the chairman of the select committee should be more closely involved in recommending a new appointee, who receives his office from the Queen on the advice of the Prime Minister.

He rejects, however, the suggestion that as a general rule, if a former civil servant were appointed, there should be a period of 'quarantine' between his retiring from the Civil Service and becoming Parliamentary Commissioner. 'There is no evidence to suggest that the lack of any such quarantine has impaired the impartiality of any civil servant who has moved directly from a Civil Service post to become Parliamentary Commissioner', he notes.

Recent Legislation

The Public Acts listed below were passed during the first quarter of 1977. They were all sponsored by the Government except for the Roe Deer (Close Seasons) Act which was sponsored by a private member. The second reading references are to the House of Commons *Hansard* (House of Lords where indicated).

1 *Second Report from the Select Committee on the Parliamentary Commissioner for Administration (session 1975–76): Observations by the Government.* Cmnd 6764. HMSO, 25p. ISBN 0 10 167640 9.

Agricultural Holdings (Notices to Quit) Act 1977. Consolidates the main provisions about notices to quit agricultural holdings in England and Wales. Second reading (HL): 3.2.77, col 966. Royal Assent: 30.3.77. Ch 12, ISBN 0 10 541277 5, 45p.

Aircraft and Shipbuilding Industries Act 1977 (see p 124). Second reading: 26.11.76, cols 1013-97. Royal Assent: 17.3.77. Ch 3, ISBN 0 10 540377 6, £1·60.

British Airways Board Act 1977. Consolidates certain enactments relating to the British Airways Board. Second reading (HL): 20.1.77, cols 143-4. Royal Assent: 30.3.77. Ch 13, ISBN 0 10 541377 1, 50p.

Consolidated Fund Act 1977. Authorises the Treasury to make a sum available to the public service. Second reading: 7.3.77, cols 929-1191. Royal Assent: 17.3.77. Ch 1, ISBN 0 10 540177 3, 10p.

Covent Garden Market (Financial Provisions) Act 1977. Makes new provision for the finances of the Covent Garden Market Authority. Second reading: 11.1.77, cols 1271-342. Royal Assent: 17.3.77. Ch 2, ISBN 0 10 540277 X, 25p.

General Rate (Public Utilities) Act 1977. Deals with several specialised points on the rate liability of certain public utilities. Second reading (HL): 7.12.76, cols 524-30. Royal Assent: 30.3.77. Ch 11, ISBN 0 10 541177 9, 15p.

International Finance, Trade and Aid Act 1977. Increases the financial limits involved in a variety of international activities. The institutions with which the Act is concerned are the International Monetary Fund, the Export Credits Guarantee Department and the Commonwealth Development Corporation. Second reading: 31.1.77, cols 48-159. Royal Assent: 30.3.77. Ch 6, ISBN 0 10 540677 5, 35p.

Job Release Act 1977. Gives legislative authority to the Government's new job release scheme (see p 413, 1976). Second reading: 14.2.77, cols 41-82. Royal Assent: 30.3.77. Ch 8, ISBN 0 10 540877 8, 10p.

Nuclear Industry (Finance) Act 1977. Makes further financial provision concerning British Nuclear Fuels Limited, the Radiochemical Centre Limited and the National Nuclear Corporation Limited. Second reading: 8.2.77, cols 1253-360. Royal Assent: 30.3.77. Ch 7, ISBN 0 10 540777 1, 25p.

Representation of the People Act 1977. Increases the limits on candidates' expenses at local government elections. Second reading: 14.3.77, cols 168-74. Royal Assent: 30.3.77. Ch 9, ISBN 0 10 540977 4, 15p.

Roe Deer (Close Seasons) Act 1977. Amends the law governing the 'close seasons' during which it is illegal to kill roe deer. Second reading: 4.2.77, col 1014. Royal Assent: 17.3.77. Ch 4, ISBN 0 10 540477 2, 10p.

Social Security (Miscellaneous Provisions) Act 1977. Amends a number of aspects of the law relating to social security. Second reading: 2.12.76, cols 1174-300. Royal Assent: 30.3.77. Ch 5, ISBN 0 10 540577 9, 60p.

Town and Country Planning (Scotland) Act 1977. Makes several amendments to Scottish planning law. Second reading (HL): 7.12.76, cols 531-46. Royal Assent: 30.3.77. Ch 10, ISBN 0 10 541077 2, 25p.

EXTERNAL AFFAIRS AND DEFENCE

Defence Debate

During a debate in the House of Commons (*Hansard*, 22.3.77, cols 1089-210, and 28.3.77, cols 43-170) on the recently published Statement on the Defence Estimates (see pp 95-9), the Secretary of State for Defence, Mr Frederick Mulley, proposed the motion 'that this House takes note of the Statement on the Defence Estimates 1977 (Command Paper No 6735); and endorses Her Majesty's Government's policy of basing British security on collective effort to deter aggression, while seeking every opportunity to reduce tension through international agreements on arms control and disarmament'.

In his speech Mr Mulley pointed out that the statement reaffirmed 'the Government's determination to make a substantial defence contribution to NATO and deploy our forces where they can have the most significant effect on the security of the alliance as a whole'. The central security problem facing the alliance during 1977 was that, despite the important political advances brought about by *détente* in recent years, confrontation in military terms between NATO and the Warsaw Pact had not been reduced. However, the increases in Soviet military capability, which were set out in the statement, were not of themselves evidence that the leadership of the Soviet Union had modified its view about the risks involved in military action against the West. 'NATO's policy of deterrence', said Mr Mulley, 'is still working, and there is no imminent risk of aggression by the Warsaw Pact.' This was an assessment that had also been made recently by the United States Defence Secretary, Dr Harold Brown, and by the Chairman of NATO's Military Committee, Admiral of the Fleet Sir Peter Hill-Norton. Mr Mulley went on: 'The policy of deterrence does not require that NATO matches the conventional strength of the Warsaw Pact, either globally or in particular areas . . . but that the balance between the forces on either side should not become such that the risks involved in aggression are diminished or that the nuclear threshold is significantly lowered.'

Turning to the question of defence expenditure, the Secretary of State said: 'The relative burden which each member of the alliance bears for the common defence should not and cannot be immutable', and emphasised that defence, like all other public expenditure, had to be considered in the context of the nation's general economic position. He pointed out that the reductions made since the defence review, completed in early 1975 (see pp 131-3, 1975), affected mainly the two years 1977-78 and 1978-79. While study on how to achieve the cuts for the latter period were still under way and would involve close consultation with NATO, Mr Mulley stated that the reductions for 1977-78 had been achieved 'without having to accept any reduction in our commitment to NATO'. He then gave details of the areas in which these savings would be found.

The Secretary of State went on to emphasise that Britain was still making 'a substantial contribution to the alliance'. He pointed out that in the coming year Britain would spend £2,350 million (37 per cent) of its total defence budget on equipment, and that a NATO study had shown that of the 11 NATO members in the survey, Britain devoted the highest proportion of its budget to new equipment. 'These figures reflect', Mr Mulley stated, 'the Government's determination to see that Britain's forces continue to have modern and up-to-date equipment to deal with the increased sophistication of Warsaw Pact forces'.

In the debate, Conservative members criticised the reductions in defence expenditure as being excessive. An Opposition amendment to the Government's motion proposed that the House 'regrets that Her Majesty's Government's defence policy has resulted in our forces being seriously deprived of modern equipment necessary to maintain, with the other members of the North Atlantic Alliance, sufficient conventional capability to deter acts of aggression, to sustain an effective fighting force in the event of actual hostilities, and thereby to strengthen our influence in formulating the policies of the alliance'. At the end of the debate the amendment was defeated by 277 votes to 262, and the Government motion was then agreed to without a division.

European Community

On 25 March 1977, the Community celebrated the twentieth anniversary of the signature of the Treaty of Rome. To mark this anniversary, a European Council meeting was held in Rome on 25 and 26 March, under the chairmanship of the British Prime Minister, Mr James Callaghan.

The Community's agriculture ministers also met in March to continue their discussions on farm prices for the 1977-78 marketing year. Energy ministers have also held a Council meeting and agreed to provide loans to finance the construction of nuclear power stations. In the field of external relations, Portugal has formally submitted its application to join the European Community and three newly independent states have acceded to the Convention of Lomé.

EUROPEAN COUNCIL

A European Council meeting took place in Rome on 25 and 26 March on the occasion of the twentieth anniversary of the signature of the Treaty of Rome. The meeting, attended by the Community's heads of State or Government, was under the chairmanship of the British Prime Minister, Mr James Callaghan. Speaking to the press after the meeting the Prime Minister said it had been a 'worthwhile conference'. While on previous occasions the Council had been 'stronger on analyses than . . . on solutions', on this occasion not only had the analyses 'been as good as ever' but the Council had also been able to move 'some steps forward on particular subjects'.

Growth, Inflation and Unemployment

In a statement to the House of Commons on 28 March (*Hansard*, cols 29-42) the Prime Minister said the dominant theme of the talks had been 'the need to find more effective ways to tackle the serious economic problems which confront the world, to prepare for the Downing Street summit in May [see p 100, footnote 1] and to ensure that the Community itself responds positively to the challenge of unemployment and inflation'. Mr Callaghan said that, as was customary for the President of the Council, he met first with leaders of the European Trade Union Confederation, who expressed their concern about the problems of inflation and unemployment. This concern was passed on by Mr Callaghan to the other members of the European Council, and agreement was reached by them on the need to hold a tripartite conference between Governments, employers and trade unions in the first half of this year to review progress and proposals being made to tackle problems in this area.

In a statement issued by the Council at the close of its meeting, the heads of State or Government said they had agreed that 'in order to promote sustained economic recovery and mitigate the severe unemployment being experienced in member countries, without risking the renewal of inflation', there was a 'need for intensified co-operation at the Community as well as the international level'. They recognised that 'such action must in large part be undertaken on a world scale' in which the Community had an important role to play. In this connection they noted that Community finance ministers had reached a large measure of agreement on the views they would be putting forward on international financing problems at the meeting of the International Monetary Fund Interim Committee in Washington at the end of April, and that ways of encouraging a stronger, but still balanced, growth of world economic activity would be a major theme of the London summit in early May.

The Council statement said they had further agreed 'in particular to seek action at the Community level in three directions: firstly to promote measures to help resolve specific labour market problems, especially in improving training and employment opportunities for young people and women; secondly to encourage higher levels of investment in the member states; and thirdly to halt divergence and promote convergence in their economic performance'. The European Commission and the European Investment Bank were invited by the Council 'to seek ways of improving the effectiveness of their activities'. The Council agreed to conduct 'an examination of the results obtained in the fields of growth, employment and the fight against inflation, and to assess the Community's prospects of making progress towards economic and monetary union' at the end of the year.

Steel Industry

With regard to Community policy in the steel sector, a sector which was 'experiencing a depression more serious than at any time in the history of the Coal and Steel Community', the Council took the opportunity 'to reaffirm their resolve to restore to the steel industry through the appropriate measures, the viability and competitiveness essential to the maintenance of a truly European industrial potential'. The Council expressed its 'appreciation of the efforts being undertaken by the Commission to put forward at an early date practical proposals and initiatives for short-term remedial measures to stabilise the market, for a longer-term structural reorganisation of the European steel industry and for measures in the social field to assist workers adversely affected by such reorganisation'. The Council of Ministers was invited by the European Council to give 'its urgent attention to the Commission's proposals and initiatives on these issues'.

Downing Street Summit

The European Council statement also confirmed that the President of the Council of Ministers and the President of the Commission would be invited to take part in 'those sessions of the Downing Street summit at which items which are within the competence of the Community are discussed'. Examples of such items given in the statement were 'negotiations about international trade and the North-South dialogue' (see p 384, 1976, footnote 1).

Japan

A further review of the Community's trading relations with Japan was undertaken by the Council (see pp 462-3, 1976). The Council reaffirmed 'the importance it attaches to maintaining good relations between the Community and Japan', but noted that 'certain specific trade problems' had still to be resolved. The Council therefore requested the Community institutions and the Japanese authorities to continue with their efforts to secure the 'sustained expansion of exports from the Community to Japan'.

North-South Dialogue

In a statement to the press after the Council meeting, Mr Callaghan said the Council had also agreed the basis of a common position for the North-South dialogue, and more specifically that 'there should be commodity price stabilisation agreements where appropriate and that there should be a Common Fund'. He went on: 'There will also be a study of export earnings stabilisation measures for developing countries and of special action for the CIEC [Conference on International Economic Co-operation] on aid.' The details of the Community's position were to be worked out at the next meeting of foreign ministers scheduled for 5 April and would be brought forward in the preparations for the CIEC ministerial meeting in Paris at which the Community would co-ordinate its position with the other industrialised countries represented at the conference (usually referred to as the 'Group of Eight'). Mr Callaghan also said that the Community would 'call on other countries, for instance in Eastern Europe and oil-producing countries, to make an adequate contribution in the development field'.

AGRICULTURE

Price Review

The Community's agriculture ministers met in Brussels from 25 to 29 March and held a detailed discussion on the fixing of agricultural prices for the 1977-78 marketing year. No final agreement was reached at this meeting and the proceedings were adjourned until 25 April, the date scheduled for the next agricultural council.

After the close of the final session, the British Minister of Agriculture, Fisheries and Food, Mr John Silkin, said the British delegation had fought hard for a settlement which would be 'fair to the housewife as well as to the farmer'. He said the final proposals put forward at the meeting included increases in common prices for milk and other products which would have been difficult for Britain to accept. A small devaluation of the green pound (see p 402, 1976) had also been proposed. The Minister said he had always made it clear that Britain would only be able to accept these changes if there were 'adequate compensating action on food prices in the United Kingdom'. In this connection Britain had put forward proposals for a butter subsidy which would have offset the effects of these price increases and 'helped to dispose sensibly of part of the Community's expensive butter surplus'. These proposals were not acceptable to the whole Council and the final package was considered inadequate by the British Minister. In consequence, the common support prices, Britain's guaranteed price for milk, and the target price for beef remain unchanged for the present.

FISHERIES

Faroe Islands

An agreement between the Faroe Islands[1] and the European Economic Community (EEC) which provides for reciprocal fishing rights within each party's territorial waters was signed in Brussels on 15 March. The agreement specifies that the Faroese authorities and the EEC shall jointly determine annually the total fishing catch permissible, having taken into account the scientific evidence available. It has been concluded for an initial period of ten years.

The Minister of Agriculture, Fisheries and Food, Mr John Silkin, in a statement to the House of Commons (*Hansard*, 16.3.77, cols 403-10) said that prior to the signature of this agreement, the Faroese Government had announced its intention to introduce new conservation measures for the period 15 March to 30 April 1977 which would 'severely curtail' fishing activity by Community, and particularly British, fishing vessels in Faroese waters. After further discussion, however, the Faroese Government had agreed, the Minister said, 'to defer the introduction of their measures and to enter immediately into consultation with the Community about them'. On this basis Mr Silkin had felt justified in signing the fisheries agreement on 15 March.

ENERGY POLICY

The Community's energy ministers, who met on 29 March, have empowered the Commission to issue loans to finance investment projects for the production of electricity in nuclear power stations and for fuel cycle installations. A maximum of 500 million units of account has been set aside for these projects.

The ministers also agreed in principle to continue until 1981 the system under which the Community's coal industry receives financial aid to encourage sales of coking coals, subject to a review of the workings of the scheme in 1979. On the Community coal situation in general, the Council has decided to institute a surveillance scheme under which each member state would report to the Commission the details of its system of monitoring coal imports. The aim of the scheme is to provide the Community with accurate and up-to-date information on the level of these imports.

A further agreement of particular interest to Britain was the Council's invitation to the Commission to submit to the next energy Council proposals for a set of measures to promote and protect investment in the energy sector, including the possible adoption of a minimum safeguard price for oil (see pp 422-3, 1976).

The Research Council also met on 29 March and gave its final approval to a four-year research programme for the Community's Joint Research Centre; but discussions are to continue on the choice of site for the Joint European Torus project (JET, see p 423, 1976). The Parliamentary Under-Secretary of State for Energy, Mr Alexander Eadie, stated in the House of Commons (*Hansard*, 4.4.77, cols 855-8) that the choice of site now lay between Culham in Britain and Garching in the Federal Republic of Germany. The view held by the Council was that 'the choice of site could not be made until the basis of the organisational structure had been decided'. The organisational proposals put forward

[1] A self-governing territory within the Kingdom of Denmark which remained outside the Community when Denmark joined.

by the Commission and the Council Secretariat were supported by Britain but had not proved acceptable to some other member states. This matter was to be further prepared and the Council had undertaken to meet as soon as possible to try to reach agreement on both site and organisation.

ECONOMIC AND SOCIAL POLICY

Economic Policy Programme

The fourth medium-term economic policy programme prepared by the Commission after consultation with representatives from industry was adopted by the Council of Ministers on 14 March. This programme outlines the Community's economic objectives for the period until 1980. A major priority is the restoration of full employment, which the Council agreed would require a steady annual growth rate in gross domestic product (GDP) of between 4·5 and 5 per cent in the Community, and a determination to bring down the rate of inflation in all member states to 4 or 5 per cent by 1980 at the latest. To achieve these targets, the policy programme states the need for, *inter alia*, a policy of balanced growth aided by adequate investment; a sustained effort to restrain the growth of incomes within the rate of growth of GDP; a better balance between the supply and demand for labour; an improved social consensus based on increased worker participation in decision-making, and a greater degree of justice in the distribution of income, wealth and taxation; greater co-ordination and convergence among the economies of the member states.

Policy in the Aeronautical Sector

The Council of Ministers agreed a number of objectives providing for joint action and consultation between member states on industrial policy in the aeronautical sector. These included: the establishment of a strategy with regard to any new construction programme for large civil transport aircraft in order to avoid duplication of effort; the optimum use of design and construction capacities, including subcontracting to competitive industries, within member states; joint action in the search for formulae for co-operation with the industry in the United States; the definition of criteria to ensure a new programme's economic viability; the adoption of all possible measures to ensure that airline companies give other European aircraft adequate opportunities to compete.

Freedom to Provide Legal Services

A directive was adopted on 22 March by the Council of Ministers which will enable lawyers in Community countries to provide services in any of the member states. The directive stipulates that activities relating to the representation of a client in proceedings or before public authorities should be pursued under the conditions laid down in the host country. It also states that a lawyer is subject to the rules of professional conduct of the host country without prejudice to his obligations in the member state from which he comes.

EXTERNAL RELATIONS

Portugal

On 28 March, the Prime Minister of Portugal, Dr Mario Soares, submitted to the President of the Community's Council of Ministers the Portuguese application to join the European Community (see p 107).

Accessions to the Lomé Convention

The Republic of Cape Verde, Papua New Guinea, and the Democratic Republic of Sao Tomé and Principe formally acceded to the ACP-EEC Convention of Lomé on 28 March (see p 58). Pending the completion of the ratification procedures for these accession agreements, the trade provisions of the Convention will be implemented on an interim basis from 1 May 1977.

Prime Minister's Visit to the United States and Canada

The Prime Minister, Mr James Callaghan, visited the United States from 9 to 11 March and Canada from 12 to 13 March. Mr Callaghan, who was accompanied by the Foreign and Commonwealth Secretary, Dr David Owen, held a series of wide-ranging talks with the United States President, Mr Jimmy Carter, and the Canadian Prime Minister, Mr Pierre Trudeau.

The aim of Mr Callaghan's visit, the first by a European leader to the new American President, was to cement the friendship and partnership between Britain and the United States and, in the light of the British Presidency of the European Community, to achieve a strengthening of relations between the United States and Europe. In a statement to the House of Commons on his visit (*Hansard* 15.3.77, cols 216-20) the Prime Minister noted that, 'the President spoke warmly of the special relationship between America and Britain' and stated 'it is my intention that the Government should work closely with his administration. We must also contribute to the maximum collaboration between the United States and the European Community.' Mr Callaghan went on to point out that President Carter also attached 'great importance to full consultation and co-operation with America's allies in the North Atlantic Alliance'.

The emphasis in both Washington and Ottawa was on economic problems, including the aims and prospects for the Downing Street summit conference to be held on 7 and 8 May (see p 100, footnote 1). Mr Callaghan said that the pressing problems of unemployment, inflation and economic recession had been discussed and that there had been 'an identity in our assessment'. 'We recognised', he said, 'that it would take a considerable time to reduce the present high levels of world

unemployment and agreed on the high priority we should give in this situation to the problems of unemployment among school leavers and among young people generally.' There was also agreement on the need to tackle the problems caused by large and persisting imbalances in the world's external payments system, particularly as they affect less-developed countries, and it was recognised that 'general protectionism could only serve to delay the world's emergence from the present economic recession'. On the question of relations between industrialised and developing countries, the Prime Minister said that they agreed 'on the importance of adopting an understanding and constructive approach to the aspirations and needs of developing countries', and that he had informed the President of the discussions in the European Community on the preparation of a common position for the ministerial meeting of the Conference on International Economic Co-operation (CIEC) in May (see pp 18-21, 1976). In Ottawa, he was also able to have useful discussions on these issues in the light of the Canadian position as co-chairman of the CIEC.

Turning to the subject of human rights, Mr Callaghan said that he had discussed this topic at length in Washington and felt that 'it was clear that President Carter had given very careful thought to his approach to this matter, and he welcomed the speech made recently by the Foreign and Commonwealth Secretary [see pp 102-4]'. In the area of East–West relations the two leaders agreed on the importance of adopting a non-polemical approach at the forthcoming Belgrade conference to review the Helsinki Conference on Security and Co-operation in Europe (see p 95). Mr Callaghan said that he had been assured that the President was anxious to work closely with the nine European Community members and with all the NATO partners 'with a view to a serious dialogue with the East at Belgrade'.

The Prime Minister went on to say that President Carter and he had discussed a number of international problems in which they had a mutual interest in helping to create or maintain stability. On the question of southern Africa, Dr Owen and the United States Secretary of State, Mr Vance had had detailed talks on Rhodesia and Namibia, and President Carter confirmed that he would continue the co-operation with Britain on Rhodesia that had been begun under the previous administration and would give 'his full support to our efforts to find a basis for a settlement'.

Mr Callaghan added that he had taken the opportunity of emphasising to the President British concern that the *Concorde* airliner should be allowed to land in New York (see p 176, 1976) and that 'the President has indicated that he is in favour of a trial period'.

The Prime Minister concluded his statement by saying that: 'I am confident that President Carter will give a positive lead to the West in areas where American leadership is necessary and welcome, that the administration's new ideas and initiatives are tempered by realism, and confident that the President recognises the importance of fostering and strengthening his ties with America's allies by regular contacts and consultation.'

Shorter Notes

COMMONWEALTH EDUCATION CONFERENCE

The seventh Commonwealth Education Conference was held in Accra, at the invitation of the Government of Ghana, from 9 to 18 March. The conference was attended by ministers and senior professional and administrative staff from 30 Commonwealth countries and three dependencies. Observers were present from the Commonwealth Foundation, the Association of Commonwealth Universities, the United Nations Educational, Scientific and Cultural Organisation, and the Agence de Co-opération Culturelle et Technique. The conference was organised in two phases. During the first, from 9 to 12 March, education officials met to consider the practical development of Commonwealth co-operation in education. In the second, ministers joined their officials, received their report, and exchanged views and experiences on the conference's theme: the economics of education.

Particular attention was given to the introduction of universal primary education in those countries that do not already have it; to technical and vocational education; and to providing for young people who are outside the conventional school system. The conference placed strong emphasis on non-formal education, which was recognised as having an essential part to play in the economic, social and cultural development of rural areas. It agreed to strengthen Commonwealth functional co-operation in several ways, including an increase in the number of awards provided under the Commonwealth Scholarship and Fellowship Programme from 1,000 to 1,500 a year. Particular importance was given to the training of technicians for economic development; and consideration is to be given to the establishment of an association of polytechnics in Africa, and of a regional staff college for trainers and technicians; and exchange schemes are to be worked out to enable trainees to acquire the necessary practical experience in industry. Governments were also asked to consider the possibility of increasing the resources of the Commonwealth Fund for Technical Co-operation to enable it to give more support to education and training activities in developing countries.

For background and information about British aid in this area see COI Factel No 671, *Commonwealth Education Conference 1977*.

INDIA

Mr Moraji Desai, the parliamentary leader of the Janata (People's) Party, took office as Prime Minister of India on 24 March after the resignation of Mrs Indira Ghandi, the then Prime Minister, following the defeat of the Congress Party at the general election on 16 March. The Janata Party secured 269 seats in the 542-seat Lok Sabha and has the support of the Congress for Democracy Party (28 seats), the Communist Party of India – Marxist (22 seats), and the Akali Dal (8 seats). The remaining seats in the lower house are divided

between the Congress Party (154), the Anna-Dravida Munnetra Kazagham (19), Independents (8), the Communist Party of India (7), and others (24). Three seats are yet to be filled.

The declaration of a State of Emergency in June 1975, the suspension of certain civil liberties and the detention of members of the political opposition, together with certain consitutional amendments, were major issues in the election campaign. The State of Emergency had, however, been relaxed to allow normal political activity after Mrs Ghandi announced the general election, in January, and it was finally revoked on 21 March. Press censorship was also lifted.

The new parliamentary leader of the Congress Party, as Mrs Ghandi was defeated in her own constituency, is Mr Y. B. Chavan, Minister of External Affairs in the outgoing Government.

ECONOMIC AND SCIENTIFIC FFAIRS

The Budget 1977-78

In his Budget speech the Chancellor of the Exchequer, Mr Denis Healey, proposed measures designed to contribute towards reducing Britain's rate of inflation to the level of its main competitors and towards improving the performance of manufacturing industry (*Hansard*, 29.3.77, cols 256-86). The main measures proposed were a substantial reduction in income tax and a smaller increase in indirect taxation. Part of the reduction in income tax was, however, conditional upon a satisfactory pay agreement being reached which would check the rate of inflation.

INTRODUCTION

The Chancellor said that in December 1976 he had announced economic measures (see pp 22-6) which were part of a medium-term programme for national recovery and that those measures, reinforced by the Spring Budget in 1977 and further progress on the industrial strategy (see pp 73-5, 1976), would enable Britain to make the difficult transition to a more firmly based prosperity. The December measures had succeeded in their main purpose; they had restored Britain's financial stability. This was shown, Mr Healey said, by the rise in the exchange rate of sterling, which had been stable at 16 cents above the low rate which it reached in October 1976, by the increase in the reserves, by the Basle agreement on the sterling balances (see p 63), and by the market loan of $1,500 million which he had signed in February (see footnote, p 63). Domestically the success of the measures was shown by the sales of Government securities which had kept the money aggregates under tight control and by the fall in interest rates – short rates were down by 5 per cent since their peak in October 1976.

These financial successes were a necessary condition for Britain's economic recovery and had to be maintained. However, they were not by themselves sufficient to achieve the fastest possible return to a high and sustainable level of output and employment, which remained the Government's overall objective. The Chancellor said that his Budget built upon the success of the December measures and moved Britain forward towards recovery. The scope for measures designed to reduce inflation and improve manufacturing industry was governed by the need to maintain the financial stability the Government had now achieved and to remove the deficit on Britain's current balance of payments. It was still too soon, he said, to take risks in either of these fields so, if anything, he had to err on the side of caution in 1977-78, particularly while the precise path of the balance of payments was still uncertain.

ECONOMIC BACKGROUND

Britain was a trading nation, the Chancellor said, and this meant that it could not sustain an economic recovery without a major improvement in its trade performance, winning and holding a larger share of both home and export markets. However, the speed of Britain's recovery would also depend heavily on conditions in the world economy and on the growth of world trade. The Chancellor therefore began his review of the economic background to the Budget with an analysis of the world economy.

The World Economy

Industrialised countries as a whole had achieved a relatively rapid recovery in output and trade at the beginning of 1976 but this had fallen off through the rest of the year. Over the year as a whole their gross national product (GNP) rose by nearly 6 per cent, after having fallen 1·5 per cent in 1975; and world trade in manufactures had increased by nearly 10 per cent, following a drop of nearly 4 per cent in 1975. Nevertheless there was growing concern that the pause had been unusually prolonged for that stage in the cycle.

More recently, growth in some major countries had shown signs of accelerating again. There now seemed to be a reasonable prospect that in 1977 GNP in the major countries would grow at about 5 per cent. World trade in manufactures might rise by about 8 per cent. Present policies in the United States and Japan should help to ensure that their recovery was sustained. In Europe, however, the prospects were more doubtful. Inflation and difficulties with the balance of payments had led several countries besides Britain to take restrictive measures. Even countries with a strong balance of payments and low inflation rates were being very cautious in their fiscal policies.

The countries of the Organisation of Petroleum Exporting Countries were expected to increase their imports by 15 per cent in 1977; but as a group they would continue to run a very large surplus. In the non-oil developing countries, however, growth would remain constrained by shortage of foreign exchange. Many of them had improved their position

in 1976, as the price of primary commodities had risen relative to manufactures, and this might continue to some extent in 1977. Nevertheless, their imports were likely to be held back by financing problems and the need to rebuild their reserves.

The Chancellor said that the most disturbing feature of the world economy was that over the last two or three years every major industrial country had seen its unemployment level rising well beyond what had been regarded in the post-1945 world as the limit for a well-managed economy. At the end of 1976 it had been estimated that there were over 15 million unemployed in the countries of the Organisation for Economic Co-operation and Development (OECD), an average unemployment level of over 5 per cent. For the year ahead Europe could expect little if any reduction in unemployment, and it would take concerted action to improve the outlook.

The Domestic Economy

Against the world background the Chancellor reviewed the present position and prospects of the British economy. He said that during the last 12 months production had made a modest recovery from the recession of 1975. However, the economy was still working well below its productive capacity, industrial investment was rising but was still too low and there was still a substantial current account deficit on the balance of payments to be eliminated.

Mr Healey said that if no change whatever was made in present policies he expected production to grow only slightly in the next 12 months. The main increases in demand were likely to be in net exports and manufacturing investment – the sectors which the Government wanted to lead the recovery of the economy. From other sectors, however, little or no stimulus was to be expected. Public expenditure on goods and services would be rather lower than in the previous year and on present policies he expected no increase in private consumption. There might even be some decline. Taken together those trends could be expected to mean that demand and production would continue to grow slowly. With such a modest recovery in output the Chancellor said he would not expect any fall in the level of unemployment. Indeed, he feared some further rise would be more likely. The rate of increase in unemployment had, however, been falling markedly. In 1975 the increase had been 40,000 a month; in 1976 it had been 30,000 a month and in 1977 there had been a welcome fall in the level of unemployment. However, the figures available for 1977 covered too short a period on which to form a judgment. Mr Healey said that the present level of unemployment was unacceptably high and that action was clearly needed to improve future prospects.

The rate of price increases was also a cause for acute concern. The Chancellor recalled saying many times that Britain needed to reduce its rate of inflation to the level of its main competitors. He said that experience with the exchange rate in 1976 showed what was bound to happen until Britain had achieved that reduction. The inflation rate had fallen rapidly in the first half of 1976, due to the £6 pay policy (see pp 269-72, 1975), but the rate had been much higher than those of Britain's main competitors. The disparity had caused a fall in the exchange rate. There had been other factors such as the drought and the world increase in commodity prices, but the fall in the exchange rate had been the main factor which had checked the decline in Britain's rate of inflation in the summer of 1976 and had prevented a reduction to single figure inflation by the end of 1976.

The response of the trade union movement, first to the £6 pay limit and then to its successor (see pp 246-7, 1976), gave Britain a very good chance of resuming the fall in inflation in the second half of 1977 when the effects of 1976's depreciation had finished feeding through into prices, he said. There was a real prospect of reducing inflation to single figures by the second quarter of 1978, provided a substantial depreciation could be avoided. This would be possible only if confidence at home and abroad was maintained in the Government's determination to reduce the rate of inflation. That meant that the Government had to reach a satisfactory agreement on pay to operate when the present pay agreement expired at the end of July. There was no chance of obtaining a new agreement unless it was ensured that the benefits of the pay policy and a more stable exchange rate fed through into prices in the shops. The Government therefore intended to prevent any unreasonable profit mark-up, by keeping the price control on profit margins and by taking a new power to freeze any particular price for up to a year when an independent investigation showed that to be justified.[1] At the same time the Government had to be careful that price controls did not damage the rate of return on investment. This had been driven down by inflation and recession to exceptionally low levels. The Government had to ensure that the return on capital was allowed to recover sufficiently to reinforce the upturn in investment and to ensure that the necessary new jobs were created.

The prospect for the balance of payments was now much better, Mr Healey said. During the next 12 months Britain could confidently expect a large increase in the flow of North Sea oil, and an increase in visible and invisible exports, all of which would substantially improve the balance of payments. Britain's current account deficit, which had been running at an annual rate of a little over £1,500 million in the last six months should be progressively eliminated and there were good prospects of a healthy surplus in 1978.

The foreign exchange markets had been much more stable everywhere in 1977. The stability of sterling had been partly due to the December measures and to the International Monetary Fund (IMF) agreement (see p 25) and also to the reassurance offered by the recent agreement on the sterling balances. Sterling had also been helped by the repayment of the sterling loans made to finance trade between third countries which Mr Healey had taken measures to stop late in 1976 (see p 83). Mr Healey said that he was now proposing to strengthen Britain's exchange control powers over the raising of sterling finances by companies resident in

[1]The new price control policy, incorporating changes made since the publication of the consultative document *A New Prices Policy* (see pp 120-2) on 22 February, is set out in the Price Commission Bill, published on 4 April.

Britain but controlled by non-residents. The reserves were now at a much more satisfactory level.[1] The Chancellor said that provided Britain could secure and maintain a balance of payments surplus it could begin to repay overseas debt. Until this repayment was safely under way domestic economic policies would be subject to constraints. He said that he had emphasised in the context of the agreement on the sterling balances that he did not intend to rely on sterling inflows on private account as a means of financing the remaining deficits. Therefore he had continued to borrow on a secure medium-term basis in order to improve the overall pattern and level of reserve assets in relation to the debt structure. However, he did not expect this type of borrowing to be necessary much longer.

The outlook for the monetary aggregates had shown a significant improvement. Domestic credit had expanded very little in the last six months and in the year to mid-April 1977 its expansion was now expected to be only half that allowed for by the ceiling of £9,000 million agreed with the IMF. Mr Healey recalled saying in December 1976 that he had expected the associated growth of sterling M3 (see p 25) to be between 9 and 13 per cent. With the much lower expansion of domestic credit the growth of sterling M3 would be at or below the bottom end of the range.

The public sector borrowing requirement (PSBR) had fallen. The total for the financial year ending in April 1977 was currently estimated at £8,800 million. Estimates now suggested that, if present policies were continued, the PSBR for 1977-78 would be about £7,500 million, some £1,250 million lower than the figure of £8,700 million agreed as a ceiling with the IMF. This improvement was mainly due to the better prospects for employment, interest rates and the exchange rate since the December measures. The forecast for 1977-78 took into account the Government's intention, announced in the December measures, to sell an amount of British Petroleum Company stock which would leave the total of the Government's and the Bank of England's holdings at 51 per cent. This sale would go ahead in 1977-78 and in framing the Budget proposals the Chancellor said that he had made full use of the room for manoeuvre which it would give him. Since there was still the impediment of the claim of the Burmah Oil Company against the Bank of England, the Government would sell part of its own holding, in the expectation, based on strong legal advice about the merits of the Burmah Oil Company's claim, that in due course the Government would be able to consolidate the 51 per cent holding by securing the transfer to the Treasury of the stock now held by the Bank of England.

MEDIUM-TERM PROSPECTS

The Chancellor said that the immediate situation provided a solid foundation on which a return to full employment and a steadily improving standard of living could be built. Whether and how fast these objectives could be achieved would depend partly on improvements in Britain's economic behaviour and partly on developments in the world economy. The improvements Britain needed were not impossible, but nor were they certain. All depended upon acts of will.

Balance of Payments

Mr Healey said that Britain not only had to eliminate its balance of payments deficit but also earn substantial surpluses so that it could start repaying its accumulated international debt while still maintaining adequate reserves. That was the precondition for restoring Britain's economic independence and for making itself less vulnerable to external shocks in the future. With the help of North Sea oil Britain should earn a surplus in 1977. However, this would be when the economy was still operating well below capacity. The aim had to be to earn a balance of payments surplus in conditions of full employment.

North Sea Oil

The growing output of North Sea oil would not be sufficient to achieve this. The return to full employment had to depend primarily on increasing industrial investment and net exports of industrial goods. Otherwise Britain would have no assurance that it would be able to take up the slack in the economy, even when North Sea oil was in full production, without running once more into the familiar difficulties of supply constraints in industry and balance of payments deficits. Moreover, North Sea oil would not last for ever. It was essential to use the advantages which it offered during the period when it was available to strengthen the industrial base and trading performance so that full employment and an acceptable standard of living could be maintained when the flow of oil diminished.

Inflation

The necessary improvement in Britain's trading performance depended in turn on a second improvement in economic behaviour. The rate of inflation had to be reduced to that of Britain's principal trading rivals and kept at that level. Despite the deterioration in the inflation rate since last summer, Britain now had a chance of getting near that aim by the end of the next pay round. The recent increase in prices, despite the strict observance of the pay policy, reflected the operation of a vicious circle. Even in a period when pay increases were limited, there could be a sharp fall in the exchange rate as a result of excessive pay increases in an earlier period. Such a fall withdrew some of the full price benefits which were hoped to be gained from the pay policy. If the resulting disappointment made it difficult to continue with a pay policy, it threatened a further fall in the exchange rate later on. The Chancellor said that he believed that Britain could now make a decisive break from this pattern. The December measures and the Budget together should help to obtain another round of pay policy. The rise in the exchange rate from the low point it had reached in October 1976 would be worth about 3 per cent off the retail price index by the end of 1977. If his proposals for income tax relief helped to get another round of pay policy accepted, that would help with the future level both of the exchange rate and of prices, Mr Healey said. In fact, a satisfactory pay policy could bring prices down in three ways. Provided there were

[1]At the end of March the reserves were $9,618 million.

effective price controls, it meant lower prices for the goods produced at home because of lower wage costs. It also meant lower prices for the goods imported from abroad because sterling was worth more. Further, these two advantages would help to bring down interest rates. This would cut the cost of everything bought on credit, such as housing, and help employment by stimulating industrial activity and investment. By the same token a 'free-for-all' leading to a wage explosion would increase prices through higher domestic costs, a lower exchange rate, and through higher interest rates.

Industrial Performance

In the medium term, however, Britain could not achieve the necessary improvement in either trade or inflation unless it also improved the competitiveness of manufacturing industries. Price competitiveness was critically important; but it had to be achieved not through a lower exchange rate, which carried a heavy cost in prices and living standards, but through higher productivity. No less important, was to improve what the Chancellor called 'non-price competitiveness'. By this he meant better product design, higher quality and greater reliability, allied to better salesmanship, delivery times and servicing arrangements. In the longer run it was only by doing better in those aspects of competitiveness that Britain could win and maintain an increased share of home and foreign markets. Only through increasing its market share would Britain have a secure prospect of a return to sustained full employment and rising living standards. British industry had to respond better to economic opportunity in the future than it had in the past. For that reason in the industrial strategy the Government had embarked on a joint effort to improve industrial performance, involving management and the unions, and was concentrating in particular on key sectors of manufacturing industry. This would take time, but it was already achieving results and Mr Healey said all the participants were determined to carry it through.

World Economy

Other countries had found difficulty, like Britain, in achieving their various economic objectives at the same time, Mr Healey continued. At the moment a significant improvement was also required in the outlook for the world economy if any country was to achieve its national aims in full. The world-wide explosion of inflation in recent years had led most Governments to pursue exceptionally cautious demand policies and in many countries there was no easy way of combining higher levels of activity and employment with a further fall in inflation. Leading countries had, therefore, to work together in seeking ways of improving the prospects of the world as a whole. The Chancellor said that he and the Prime Minister would be pressing for this over the next two or three months in the European Community, in the IMF and at the Downing Street Summit (in May). If the stronger economies increased domestic demand and reduced their external surpluses they would greatly help to sustain activity in the world as a whole. President Carter had recently given his support to the views of the OECD and the IMF in this regard. On the other hand countries with higher inflation rates and weaker balance of payments positions faced more painful adjustment. They would need time to adjust their economies to the many shocks they had suffered over the last few years. In particular, they would need access to adequate finance on appropriate terms so that they were neither forced unnecessarily to deflate their economies nor tempted into trade restrictions – either of these courses would be damaging to the world as a whole. This would be a major topic at the meeting of the Interim Committee of the IMF in Washington in April. Many countries also needed to achieve higher investment. Britain was exploring with its European partners the scope for co-operative efforts to stimulate investment and to maintain or create jobs, particularly in the field of youth employment. Mr Healey said that he looked forward to the opportunity to review with Britain's partners in the European Community the progress in fighting unemployment in a further tripartite conference of Governments, trade unions and employers before the end of June.

THE SCOPE FOR FISCAL ACTION

The Chancellor said that against this background the main task he faced in the Budget was to consolidate the gains Britain had made so far and to create the conditions in which the rate of inflation could be reduced and the necessary improvements in industrial and trading performance made. He said that he had emphasised in the last few months that all these objectives would require some reduction in the present burden of income tax. The representations he had received had been unanimous in advocating this. Both the Trades Union Congress (TUC) and the Confederation of British Industry (CBI) had argued that substantial reductions in income tax were needed both to make it easier to agree on a satisfactory pay policy and to assist the industrial strategy. The Sector Working Parties [set up under the industrial strategy; see pp 329-30, 1976] had reinforced these arguments by pressing for improvements in the structure of income tax to increase incentives at all levels of industry. The Chancellor said that he was convinced that working people throughout the country took the same view.

His problem in the Budget was to decide how far he could move in that direction in 1977-78 without weakening the firm control the Government had established over fiscal and monetary policy and without putting undue strain on the nation's productive capacity or on the balance of payments. The economic prospects he had described gave some room for moving in that direction. There was too much spare capacity in the economy, though this varied widely within the different sectors of industry. The balance of payments should have moved into surplus by the end of 1977 and he said that forecasts for the PSBR and domestic credit expansion (DCE) gave him significant room for manoeuvre. There was, therefore, scope for carefully controlled fiscal stimulus to make at least a start in expanding domestic demand by reducing the burden of income tax. The Chancellor had also to decide how far the prospect of a satisfactory

agreement on pay policy justified the offer of some of the tax reliefs before formal discussions on the pay policy had even begun. He said that what he had heard about the intentions of the trade union movement and the CBI led him to believe that a satisfactory agreement could be reached although he did not seek to minimise the difficulties. He was, therefore, recommending net fiscal action which would cost some £500 million in net revenue in a full year. This £500 million package would take effect immediately. When, as he said he expected, a satisfactory agreement was reached in the coming months on the third round of the pay policy he would recommend further proposals which would cost some £1,000 million. The combined effect of both sets of proposals would be to reduce the revenue by about £1,500 million in a full year and to bring the PSBR for 1977-78 to a new forecast level of some £8,500 million. This was within the ceiling of £8,700 million agreed with the IMF.

Mr Healey explained that in the first year the effect of a net reduction in tax on the PSBR was less than the full year revenue effect, partly because some of the revenue effect fell beyond the first year and partly because the resulting rise in activity reduced unemployment and raised tax receipts. He said that for this reason the measures he was proposing would affect the PSBR in 1977-78 by only two-thirds of their full year revenue effect.

MONETARY POLICY

A fiscal stimulus of this size, the Chancellor said, would be fully consistent with maintaining the improvement in the financial markets. In order to keep firm control on any inflationary pressures he intended that DCE in the coming year should be safely within the limit of £7,700 million set in December 1976. The accompanying rate of growth of sterling M3 would depend upon a number of factors, particularly the scale of the improvement in the balance of payments, since a surplus had the effect of expanding money supply. The best estimate for the rate of growth of sterling M3 was that it would be in the range of 9 per cent to 13 per cent in 1977-78, the same as the estimate he had given in December 1976 for the financial year 1976-77. In order to maintain this degree of control over the monetary aggregates the Chancellor intended that a major part of the PSBR should again be financed outside the banking system. He said that he had already made a start in doing this with recent sales of Government securities. It would also be prudent to maintain for the time being the present range of credit controls and to operate them flexibly. Mr Healey said that he was satisfied that on present trends these controls would leave sufficient room for industry's essential needs. The Government continued to regard provision of adequate finance for industry as a key part of the industrial strategy and he welcomed the priority which the Wilson Committee on the Functioning of the Financial Institutions (see p 446, 1976) was giving to it.

PUBLIC EXPENDITURE

The Government expenditure plans for the next two years had been set out in the first volume of its Expenditure White Paper issued in January (see pp 63-6). The Government would stick firmly to these plans, making full use of the new techniques on control which had proved their worth in 1976-77. A White Paper setting out the cash limits for 1977-78 had been presented to Parliament that day (*Cash Limits 1977-78*, Cmnd 6767, HMSO 35p, ISBN 0 10 167670 0).

Employment

The Government believed that it was essential to make room within the totals already published for further measures to relieve unemployment. The measures which the Government had already adopted had received international recognition and had made a major contribution to the recent improvement in unemployment. However, although there had been a welcome fall in unemployment in the last two months, far too many people were still unemployed and it was too early to conclude that the trend had changed. A series of measures had been announced on 3 March[1] mainly to expand training and job creation, at a gross cost of £83 million. The Government had decided to supplement these measures substantially, Mr Healey said. The period in which firms could apply for the temporary employment subsidy (see pp 320-1, 1975; 29, 1976 and 24) had been due to end in April. It would now be extended through the whole of 1977-78. The period of payment for the subsidy would also be extended from 12 to 18 months at a reduced rate of £10 instead of £20 a week, for firms whose initial period of payment came to an end after 29 March but which re-applied and continued to satisfy the other conditions for the subsidy. This extension would run until the end of March 1978. The combined gross cost of these extensions was £214 million spread over the next two years.

In addition the Government proposed four minor but important new schemes. First there would be a selective job introduction scheme to provide an incentive for employers to engage disabled people by providing £30 a week per person for a trial period of up to six weeks. The scheme would be administered by the Manpower Services Commission. The Government believed that this might help about 2,000 disabled people in 1977-78. Secondly, there would be a special programme to train extra teachers in mathematics and science. In these subjects, which were particularly important to the industrial strategy, there had been a shortage for some years despite the overall surplus of teachers in other subjects. Thirdly, there would be an experimental scheme for six months from 1 July applying only to manufacturing firms in the special development areas employing fewer than 50 workers. They would be given a weekly subsidy of £20 for six months for each additional worker taken on. Fourthly, the Government was discussing with the Manpower Services Commission the possibility of introducing a selective scheme for an experimental period of six months to help the long-term unemployed who faced prob-

[1]These included extensions to the Youth Employment Subsidy and the Work Experience Programme (see pp 333-4, 1976), the Job Creation Programme (see p 409, 1975 and p 28, 1976), the financial help given for training apprentices and technicians and for training young people under the Training Opportunities Scheme (see pp 228-9, 1974), the Community Industry Scheme (see p 29, 1976) and the careers service. *Hansard*, 3.3.77, cols 621-5.

lems of particular difficulty. The cost had been in part allowed for in the Expenditure White Paper programmes; the balance would be met out of the contingency reserve. In all these cases the gross cost would be significantly offset by savings in unemployment benefits.

Inner Cities/Construction

Within the general problem of unemployment, the construction industry had suffered particularly hard. Although the prospective upturn in industrial investment and a probable fall in mortgage interest rates would give it some relief, the Government intended to give additional help by means which would also assist in coping with the growing problems of inner-city areas. For this reason £100 million of additional expenditure would be made available at once from the contingency reserve for construction work over the next two years, in certain inner-city areas in England, and for similar work in selected areas in Scotland, Wales and Northern Ireland. The Government would consult the local authorities about the allocation and programming of this expenditure. It was likely that the work in England would include the rehabilitation and improvement of old housing, industrial site preparation, the building of advance factories, school improvements, community buildings, day centres, health facilities and the reclamation of derelict and neglected land.

Mr Healey said that the list of employment and construction measures he had announced had a gross cost of about £400 million over the next two years. This included £165 million from the sum he had set aside for this purpose in the December measures. The measures should create or maintain between 150,000 and 200,000 jobs or training places by the fourth quarter of 1977, depending on the allowance made for the displacement of jobs elsewhere in the economy.

TAXATION

Indirect Tax Changes

Outlining his proposals in the field of taxation, the Chancellor dealt first with indirect taxation. He recalled saying on several occasions that it was desirable to readjust the balance between direct and indirect taxation. In recent years the share of direct taxes had risen under successive Governments, mainly because inflation had eroded the real value of income tax thresholds and the value of many of the specific duties. It was not, however, the year to take a major step to reverse the balance, since the prospect of a steady fall in the retail prices index was of critical importance to the negotiation of a satisfactory new pay agreement. Nevertheless he believed that in two fields some increase in indirect taxation was desirable to support important objectives of national policy, providing it did not have a major impact on prices.

Energy conservation had to remain a major objective throughout the industrialised world. Britain was well-endowed with indigenous energy resources, and was developing them vigorously. On conservation, the Government had made a good and effective start, but it had to maintain the momentum and develop its policies if Britain was to stay among the leaders. Fuel saving could bring forward the time when the balance of payments moved into surplus and so remove a major obstacle to high employment. In addition there were reasons of transport policy for increasing taxation on the use of road vehicles.

Petrol/Derv Duty

The taxation of road fuel had not been affected by the December measures; the total effect on the private motorist of the changes in the 1976 Budget had amounted to no more than about 1p a gallon and for the business user of road fuel the increase in the taxation of derv had been the first for seven years, Mr Healey said. In these circumstances the Chancellor felt justified in proposing an increase in the duty on road fuel of 5p a gallon. If fully passed on, this would raise the price of a gallon of petrol to the private motorist by a little over 5½p, including value added tax (VAT). This increase did no more than restore the real value of the duty on petrol to its level after the 1976 Budget. Petrol would still be cheaper in Britain than in nearly all other countries of the European Community. The proposals for road fuel duty would produce an overall revenue increase, including VAT, of £300 million in a full year. The rebate of road fuel duty paid to stage bus operators would be increased so that their costs would not be affected by the rise in the duty.

Heavy Oil Duty

Mr Healey said that the duty on most other oil products, for example heavy fuel oil, had reached its present level of 1p a gallon in 1969. Its real value had fallen very substantially since then, and he proposed to restore it by raising the duty to 2½p a gallon. The oils affected would be all those which at present bore the 1p rate. However, he had made an exception for paraffin, commonly used for domestic heating, particularly by the less well-off and by pensioners. Paraffin would continue to carry only 1p duty as at present. The increase in duty on heavy oils would produce an estimated £150 million in a full year and both the oil duty changes would be brought into effect from 6 pm that night.

Vehicle Excise Duty

Vehicle excise duty on cars had remained unchanged at £40 a year since April 1975 and its value in real terms had fallen appreciably since then. An increase of £15 would be required to restore the real value to the 1975 level. However, Mr Healey said that as he had made a considerable contribution towards meeting the Government's objectives in transport and energy policy by substantial increases in the duty on petrol and derv, he was proposing a more limited increase in vehicle excise duty of £10 or 25 per cent, taking the duty to £50 a year. The same percentage increase would apply to all other licences except those for goods and haulage vehicles. The increased revenue would amount in a full year to some £150 million.

The tax burden on heavy lorries, in contrast to the position of the private car and the lighter lorries, failed to cover the costs which they imposed on the community, such as wear and tear on the roads, even if no account were taken of the damage to amenities in the areas through which they passed. The Chancellor thought he should make a start on closing that gap, although in the case of the heaviest lorries the

gap was too large to close in one move. The reasons for moving in that direction had been set out in the Transport Consultative Document published in 1976 (see pp 213-16, 1976) and the European Community was expected to take a similar view later in 1977. The lighter lorries already covered their costs to the community. So for vehicles up to four tons unladen weight he proposed to raise the duty by about the same percentage as for the motor car. However, for lorries above four tons and up to six tons he proposed increases of around 30 per cent, and for those above six tons increases of around 35 per cent. For individual weight categories within these bands there would be some variation from these figures. This was necessary to ensure a smooth progression in the tax rates. For virtually all those vehicles the increases fell short of restoring the effective burden of the duty to its level in 1975. The total increase in revenue from these changes in vehicle excise duty would be about £60 million in a full year.

Tobacco Duty

There were compelling health arguments for increasing the duty on tobacco in real terms, the Chancellor said. Besides consolidating the increases on tobacco and tobacco products announced last December, he therefore proposed to raise the duty on a packet of 20 cigarettes by 4p, with a corresponding increase on hand-rolling tobacco. A further increase on other tobacco products would not be justified at present; in particular pipe tobacco played an important part in the lives of many retired people. The increase, which would take effect from Monday, 4 April, would produce an extra £150 million in a full year, including VAT.

The increase of 4p per 20 cigarettes would be added to the tobacco products duty as a flat rate per cigarette. This was a move towards the new structure of taxation on tobacco required by the European Community. The remaining stage of the transition would be reached on 1 January 1978.

Value Added Tax

Mr Healey said that he did not propose to make any change in VAT.

Effects of Indirect Tax Increases

The increases in indirect taxation would produce extra revenue, including VAT, of about £810 million in a full year. The effect on the retail price index by the fourth quarter of 1977 would be an increase of just under 1 per cent.

National Insurance Surcharge

Mr Healey said that he had received many representations from charities – including the churches – concerning the National Insurance surcharge announced in July 1976 (see p 327, 1976) which was due to take effect on 6 April. He had considered the representations very carefully and had concluded that there was a strong case for relief in view of the special position of these organisations. Many charities performed valuable work in the community and the Government would not wish to see them hampered as a result of the operation of the surcharge. All organisations accepted as charities for income tax purposes would therefore be eligible for relief from the surcharge. The concession would be available from the first payment in respect of the 1977-78 tax year, so that no charity would be required to pay the surcharge.

Direct Taxation

With respect to direct taxation the Chancellor proposed no change in the rates of corporation tax; stability in company taxation was an important part of the industrial strategy, he said, and should not be disturbed without compelling reason. He said he would continue to direct relief to companies through the provisions for capital allowances and stock relief which already existed. However, he believed that small companies deserved special consideration. He proposed, therefore, to increase the profit level by which small companies were defined for the purpose of the preferential rate of corporation tax. It would increase from £30,000 to £40,000 and the limit for marginal relief would be increased from £50,000 to £65,000. The cost of the changes would be about £20 million in a full year.

Stock Relief

Mr Healey proposed to continue the interim scheme for stock relief in its present form (see p 204, 1976) not only for 1977-78, but also for 1978-79. He recalled saying in the April 1976 Budget that the interim scheme of stock relief would continue until the end of 1977-78. He had thought that this would give sufficient time to devise a permanent scheme which could take account of the views of the accounting profession and of industry. However, although the Government and others had welcomed the principle of current cost accounting (see pp 351-2, 1975), detailed proposals were still at draft stage and were not yet firm. More time for discussion and consultation was needed. In moving to a permanent scheme there would be no question of any general withdrawal of the relief given under the current scheme. It was not possible to foretell what sort of transitional arrangements might be appropriate, since they would depend upon the form of the permanent scheme, but the Chancellor emphasised that, if necessary, special provisions would be included to ensure that the change of system did not lead to cash flow difficulties for individual companies. Referring to the problem companies had in raising finance when they had large deferred tax provisions in their balance sheets he said that for the normal continuing business there was little or no risk that any substantial part of the deferred liability would in fact arise.

Capital Gains

The taxation of capital gains would be improved in two ways. An improved rollover relief for the transfer of an overseas branch to a separate non-resident company (often called 'domestication') would be given and the rules applying to company take-overs, amalgamations and reconstructions would be modified in certain respects.

Avoidance

The Chancellor intended to take further action to deal with tax avoidance. It was intolerable that when the overwhelming majority of men and women paid their taxes honestly a small number of wealthy

corporations or individuals should escape their responsibilities to society by tax-dodging on a massive scale. He intended to stop some avoidance schemes designed to manufacture wholly artificial capital losses by shifting value from one asset to another. He also proposed to deal with certain highly artificial schemes under which taxpayers undertook to pay annuities for a consideration which was not taxable, or not wholly taxable, in their hands. The Inland Revenue was challenging these schemes under the present law, but Mr Healey proposed to introduce provisions designed to annul them. These provisions would apply to payments made after 29 March.

Oil

Mr Healey said he had asked his officials to begin urgent consultations with the companies concerned about the possibility of legislating in the Finance Bill to restrict unilateral relief for certain taxes paid by oil companies to Governments of oil-producing countries.

Foreign Currency Borrowings

After fully considering the finely balanced arguments on the question of tax relief for the extra cost to companies of repaying foreign currency loans where sterling had fallen in value, the Chancellor had concluded that since there was an urgent need to concentrate on income tax reliefs, he could not at the same time propose relief for exchange losses.

Foreign Earnings

The Chancellor recalled his December 1976 statement in which he said that he believed it was important to find ways of improving the tax treatment of employees living in Britain and working abroad, particularly those involved in exporting. He proposed that any employee who worked abroad for a total of 30 days or more in a tax year should qualify for the tax relief, whether or not the 30 days were continuous. This meant that the employee would pay no tax on 25 per cent of his earnings from work overseas. Those who had separate employments with overseas companies requiring them to carry out all their duties abroad would also qualify for the reduction, regardless of the length of their absence abroad.

Retirement Annuities

The Chancellor proposed to increase from £2,250 to £3,000 limits on the annual amounts within which self-employed people might claim tax relief on premiums paid for an annuity on retirement.

Pay and Income Tax

Given the size of the fiscal stimulus he considered justified and the net revenue resulting from the other tax changes the Chancellor said he would be able to make reductions in income tax amounting to some £2,250 million in a full year – assuming a pay agreement for the year from August 1977, which was consistent with the Government's inflation objectives, was reached. The scope for overall tax relief would be reduced by the extent to which such an agreement was not reached. The effect of inflation had been to put too high a proportion of the tax burden onto income tax; to impose tax on too low a level of income; and to bring too many people into the higher rates of tax at each successive level, starting at a level not very far above average earnings. The effect had been to weaken the incentive to work throughout the economy. In correcting this, Mr Healey said he had to distribute tax relief so as to give priority to the areas where the problem created the greatest hardship or was most damaging to economic performance. The greatest hardship fell on the poorer members of society. He said he could help them through three possible changes in the income tax – by increasing personal allowances, by introducing a reduced rate band, and in the case of retired people with only modest savings by raising the threshold for the surcharge on investment income.

Personal Allowances

The various personal allowances reduced the burden of income tax at all levels but gave special help to the very poor by relieving them altogether of all liability to pay income tax. The Chancellor therefore proposed to increase the single person's allowance and the wife's earned income allowance by £70 to £805 and to raise the married allowance by £140 to £1,225. He said he was proposing a substantially larger increase in the married allowance so as to provide the family man with special help during the transition to the child benefit scheme (see p 409, 1976). It would not be appropriate to adjust child tax allowances again. The effect on family income of the reduction in the child tax allowances in 1977-78, as the first stage in their replacement by child benefit would in general be more than offset by the child benefits which mothers would receive.

He proposed to raise the additional personal allowance by £70 to £420. This would ensure that, as in previous years, the allowance for one-parent families was kept in line with that for two-parent families. The Chancellor also proposed to increase the age allowances for those over 65, to £1,080 for the single and £1,695 for the married.

These increases in personal allowances would give relief at all income levels. For those over 65 the resulting threshold would be well above the level of their retirement pensions and they would continue to be able to supplement their pensions without paying additional tax. As a result of these increases in personal allowances 845,000 people who would otherwise have been paying income tax in 1977-78 would not now do so.

Proposals for a Reduced Rate Band

Turning to the question of a reduced rate of tax for the initial band of taxable income, Mr Healey said there was much to commend it in principle. However, to insert a band of reasonable length would be very expensive and ruled out action in areas which he believed were more important at that time. The highest priority had to be to raise the tax threshold so as to maintain the real value of personal allowances as far as possible and, if circumstances permitted, to increase their level to the point where they stood above the levels of the main social security benefits. Once this had been achieved, the Chancellor said, he believed that the next priority should be the reintroduction of a reduced rate band.

He had asked the Inland Revenue to examine the administrative problems which a reduced rate would pose for them, so that effect could be given to it as soon as circumstances permit.

Investment Income Surcharge

The Chancellor was particularly concerned about elderly people who found themselves liable to the surcharge on the income from savings which were quite modest in modern terms. He therefore proposed to increase the thresholds for investment income surcharge. For those over 65 the threshold for the 10 per cent rate would be raised by £500 to £2,000 and for the 15 per cent rate by the same amount to £2,500. For those under 65 the starting point for the 10 per cent rate would similarly be raised by £500 to £1,500, while the starting point for the 15 per cent rate would remain at its present level of £2,000.

Extending the Basic Rate Band

If he took no action, the Chancellor said, people earning less than one and a half times average earnings would, in 1977-78, find themselves moving out of the basic rate band into liability to the higher rates of tax. In two years inflation had already almost doubled the number of people paying tax at the higher rates, from 750,000 in 1974-75 to 1·4 million in 1976-77; and if no action were taken, the number would rise in 1977-78 to 1·8 million. He therefore proposed to extend the basic rate band by £1,000, making the entry point to higher rate liability £6,000. As a result, 800,000 people who would otherwise be paying tax at the higher rate would now not do so. Mr Healey said he wanted to produce a more rational sequence of income tax bands above £6,000. The first higher rate band – charged at 40 per cent tax – was only £500 long and he proposed to extend it to £1,000. The next three bands would remain £1,000 long but the following band – charged at 60 per cent – which he had had to shorten in 1976 from £2,000 to £1,500, would be restored to £2,000. He also proposed to make the following two bands £2,000 long and the 75 per cent band £5,000 long, as at present. Thus the maximum rate would be reached at £21,000 – £1,000 higher than in 1976-77. The effect of these changes would be to raise the thresholds for the higher rate bands by between £1,000 and £2,000. This would benefit all higher rate taxpayers, but those in the area of middle management would gain proportionately more than those at the very top.

The total cost of this whole group of measures in the field of personal taxation was £1,290 million in a full year. All these income tax reliefs would take effect immediately.

Possible Basic Rate Reduction

To make this sum up to the £2,250 million of income tax reductions which he had said were possible if a continuing fall in the inflation rate was assured, the Chancellor said he would propose to reduce the basic rate of income tax from 35 to 33 per cent at a cost of £960 million in a full year. Although all taxpayers would benefit, this would be of special advantage to people on up to nearly twice average earnings, with the biggest proportionate benefit accruing to the highly skilled worker.

Mr Healey explained that to commit himself absolutely to this reduction before a satisfactory agreement on a new pay policy had been reached would be to take risks with the growing confidence which was being shown in the economy both at home and abroad – risks which could be avoided by deferment for a short period. He would therefore move an amendment to the Finance Bill proposing a reduction in the basic rate at the appropriate time after taking account of the pay agreement. The Chancellor gave examples of the effects on different families and individuals of the total income tax reliefs he had described. Average earnings for men were now nearly £80 a week, and the earnings of four-fifths of employed men were within £30 either side of that. A married man on £80 a week would be just over £2 a week better off when all the income tax proposals had been implemented. A married man on £50 a week would gain nearly £1·50, and

Table 1

Summary of Central Government Transactions

£ million

	1976–77		1977–78 forecast	
	Budget forecast	Estimated outturn	Before Budget changes	After Budget changes
Consolidated Fund				
Revenue	33,197	33,797	38,791	37,742
Expenditure	39,915	39,402	43,480	43,489
Deficit	–6,718	–5,605	–4,689	–5,747
National Loans Fund				
Consolidated Fund deficit (as above)	–6,718	–5,605	–4,689	–5,747
Other transactions:				
Receipts	4,900	4,490	5,300	5,300
Payments	–8,932	–5,525	–7,188	–7,188
Total net borrowing by the National Loans Fund	–10,750	–6,640	–6,577	–7,635
Other funds and accounts (net)	+324	+810	+776	+776
Central Government Borrowing Requirement	**–10,426**	**–5,830**	**–5,801**	**–6,859**

Table 2 **Taxation and Miscellaneous Receipts**

£ million

	1976–77		1977–78 forecast	
	Budget forecast	Estimated outturn	Before Budget changes	After Budget changes*
Taxation				
Inland Revenue				
Income tax	17,045	17,030	19,830	18,065
Surtax	30	63	30	30
Corporation tax	2,650	2,650	2,625	2,560
Petroleum revenue tax	—	—	5	5
Capital gains tax	400	320	330	330
Development land tax	—	1	5	5
Estate duty	70	124	70	70
Capital transfer tax	212	260	320	320
Stamp duties	293	272	320	320
Total Inland Revenue	*20,700*	*20,720*	*23,535*	*21,705*
Customs and Excise				
Value added tax	3,650	3,750	4,225	4,250
Oil	2,025	2,060	2,125	2,550
Tobacco	1,790	1,885	2,025	2,150
Spirits, beer, wine, cider and perry	1,850	1,955	2,050	2,050
Betting and gaming	295	285	315	315
Car tax	190	225	250	250
Other revenue duties	10	15	10	10
Protective duties, etc.	555	670	690	690
Agricultural levies	60	55	135	135
Total Customs and Excise†	*10,425*‡	*10,900*	*11,825*	*12,400*
Vehicle excise duties	835	850	857	1,068
National insurance surcharge	—	—	1,164	1,159
Total Taxation	31,960	32,470	37,381	36,332
Miscellaneous Receipts				
Broadcast receiving licences	237	247	250	250
Interest and dividends	140	190	225	225
Other	860	890	935	935
Total	**33,197**	**33,797**	**38,791**	**37,742**

* After all changes, including those which will be implemented when a satisfactory agreement on a new pay policy is reached.
† Includes customs duties and agricultural levies accountable to the European Communities as 'own resources'; actual payments to the Communities are recorded in Table 3.
‡ Increased to £10,475 million when the surcharge on alcoholic drinks and tobacco was imposed on 1 January 1977.

a married man on £110 a week over £2·65. Thus besides giving substantial help to the lower paid these reliefs would increase cash differentials and broadly maintain percentage differentials for people in the basic rate band. Mr Healey said that he believed that the advantage which working people could obtain from the proposed tax reliefs should make it easier to reach agreement on a pay policy which would reduce inflation substantially in the coming year. A tax benefit of rather over £2 a week to a married man earning £80 a week was worth as much as a pay increase of £3·50 from which tax and national insurance contributions had to be deducted. Therefore the proposals gave him as much as a pay rise of almost 4·5 per cent; and this sum would be paid not from the date of his next pay increase towards the end of this year or in the first half of 1978, but with effect from 6 April. Moreover, this sort of increase in take home pay would not add to wage costs and so to prices. Therefore there would be further benefit from a lower rate of inflation. This in turn would keep interest rates lower and the value of sterling higher than they would otherwise have been. Thus, there would be a triple benefit for prices, worth 2·5 per cent off the retail price index by the end of 1978. That would be equivalent to a further gross pay rise of over 4 per cent – making nearly 9 per cent in all. The resulting addition to demand would help to produce more jobs. It was difficult, Mr Healey emphasised, to exaggerate the advantages of a satisfactory pay agreement which would make it possible to proceed with the full income tax package of £2,250 million.

CONCLUSIONS

The Chancellor said that his proposals constituted a significant first step in reducing the burden of direct personal taxation. He believed that it was the most effective way his Budget could contribute to the

attack on inflation and the improvement of Britain's industrial performance, on both of which Britain's economic recovery depended. The full tax changes he had proposed would shift the balance between direct and indirect taxation. Direct taxation was providing over half of full revenue, about 51·5 per cent in 1976-77. It would provide under half, about 48 per cent, in 1977-78. He said that if he were able to implement his proposals in full the effect of the Budget would be to increase output by a little over 0·5 per cent by the end of March 1978 and by approaching 0·75 per cent by the end of 1978.

On this basis he expected output to grow between the end of March 1977 and the first half of 1978 by about 1·5 per cent and manufacturing output by about 2·5 per cent. Manufacturing investment should be recovering rather strongly, with an increase of some 15 to 20 per cent over the same period. The balance of payments should also be improving strongly in 1977 and be in substantial surplus in 1978. The rate of inflation should start falling again after about the middle of 1977 as the effects of 1976's exchange rate depreciation worked themselves out of the system and the benefits of 1976's lower interest rates and more stable exchange rates were felt. The Chancellor said that the measures which he had announced would raise prices by about 1 per cent by the end of 1977. Thus he now expected the year on year rate to be about 13 per cent in the last quarter of 1977 – 2 per cent lower than the forecast of 15 per cent which he had published in December 1976. With a satisfactory pay agreement the prospect was that the rate of inflation would fall to single figures by the second quarter of 1978. In consequence living standards which had fallen sharply over the past six months, following the depreciation of sterling, should at least stabilise at something close to their present level. Britain was now through the worst, he said.

He recalled saying in December 1976 that no one could predict the path of unemployment with any hope of accuracy in the current circumstances. However, it was possible to estimate the effect on unemployment of all the measures which he had

Table 3

Supply Services and Consolidated Fund Standing Services

£ million

	1976–77		1977–78 forecast	
	Budget forecast	Estimated outturn	Before Budget changes	After Budget changes
Supply Services				
Defence	5,604	6,153	6,298	6,298
Overseas aid and other overseas services	815	860	962	962
Agriculture, fisheries, food and forestry	856	846	502	502
Trade, industry and employment	2,860	3,082	2,945	2,945
Roads and transport	1,247	1,302	1,235	1,235
Housing	2,089	2,138	2,449	2,449
Other environmental services	337	243	217	217
Law, order and protective services	991	1,082	1,145	1,145
Education and libraries, science and arts	1,406	1,515	1,575	1,575
Health and personal social services	4,907	5,407	5,578	5,578
Social security	4,001	4,227	5,025	5,025
Other public services	915	965	982	982
Common services	890	958	988	988
Northern Ireland	526	554	528	528
Rate support grant, financial transactions, etc.	7,124	7,738	7,511	7,511
Total	*34,568**	*37,070*	*37,940†*	*37,940†*
Allowance for price changes (rounded)	2,300	—	2,200	2,200
Supplementary provision	60	—	—	9‡
Total Supply Services at estimated outturn prices	36,928	37,070	40,140	40,149
Consolidated Fund Standing Services				
Payment to the National Loans Fund in respect of service of the national debt	1,770	1,157	1,740	1,740
Northern Ireland – share of taxes, etc.	631	638	688	688
Payments to the European Communities, etc.	568	549	895	895
Contingencies Fund	—	–28	—	—
Other services	18	16	17	17
Total Consolidated Fund Standing Services	2,987	2,332	3,340	3,340
Total	**39,915**	**39,402**	**43,480**	**43,489**

* At 1976–77 Estimate prices.
† At 1977–78 Estimate prices.
‡ This is the estimated net increase in Supply Votes in 1977–78 to take account of the increase in Bus Fuel Grants.

proposed compared with what it otherwise would have been. The specific employment measures he had described would by the end of 1977 create or maintain between 150,000 and 200,000 jobs or training places. The effect of the proposed tax changes would build up more slowly, but if they were implemented in full they would increase employment by about 100,000 by the end of 1978.

However, the key to a sustained improvement in unemployment prospects had to lie in the success of manufacturing industry in increasing the volume of exports and countering the penetration of domestic markets by foreign imports. Mr Healey said that he believed that the Budget would make a significant contribution to that objective.

BUDGET STATISTICS

Tables 1, 2, and 3, taken from the *Financial Statement and Budget Report 1977-78* (HMSO, £1·40, ISBN 0 10 227177 1), show the major items in the central Government's expected revenue and expenditure and its borrowing requirement for the year 1977-78.

DEBATE ON THE BUDGET

Opposition View

Sir Geoffrey Howe, speaking for the Conservative Opposition (*Hansard*, 30.3.77, cols 427-42), welcomed the movement from direct to indirect taxation but criticised the Chancellor for placing the burden of heavier indirect taxation on the motorist instead of returning to a single rate of VAT at 10 per cent. He also said that the planned PSBR for 1977-78 was still much too high, and that the Chancellor needed to be more explicit about the next stage of the pay policy.

Liberal Party View

Mr John Pardoe, speaking for the Liberal Party (*Hansard*, cols 458-68), also welcomed the movement from direct to indirect taxation but felt that standardisation of VAT at 10 per cent would be better than a rise in petrol tax. He said that income tax should be indexed [to the rate of inflation].

National Income and Expenditure

Revised summary figures of Britain's national income and expenditure for the fourth quarter and year, 1976, were published on 28 March and show that Britain's output of goods and services (gross domestic product – GDP) in 1976 was valued at £107,767 million. In real terms there was a rise of about 1 per cent between 1975 and 1976. Between the second halves of 1975 and 1976 the rise was rather greater, at over 2 per cent. There was a strong indication of an upturn in economic activity towards the end of 1976, the output-based measure of GDP rising by over 1 per cent between the third and fourth quarters of the year.

The information in this article is summarised from a Central Statistical Office press notice, CSO(77)25, which has replaced information published in earlier years in the annual White Paper *Preliminary Estimates of National Income and Balance of Payments*. For a discussion of balance of payments figures for 1976 see pp 113-17.

Analysis

Real national disposable income in 1976 was nearly 1·5 per cent higher than in 1975, an increase close to that of gross domestic product. These similar rates of growth came about because the adverse movement in the terms of trade that took place during the course of the year, as a consequence of the depreciation of sterling, was roughly balanced by the improvement that had taken place during 1975, so leaving the average terms of trade for the two years little different.

The index of industrial production rose slightly in 1976 over the previous year (after approximate adjustment to an output basis for those industries where delivery indicators are used). The index suggests a sharp rise in output in the fourth quarter of 1976, following the low level of the third quarter. For manufacturing industries output remained fairly level for the first three quarters of 1976, and then moved up by about 2 per cent in the fourth quarter.

After deducting stock appreciation the share of company trading profits in total domestic income in 1976 was only about 7 per cent, less than half a percentage point better than the share in 1975, and very much lower than the long-term average over the preceding ten years. Before deducting stock appreciation, however, the share of company profits improved in 1976 to around 11 per cent, from about 10 per cent in 1975; the 1976 share was about 2 percentage points below the long-term average. Income from employment in 1976 accounted for nearly 73 per cent of total domestic income after deducting stock appreciation, about 1 percentage point less than the previous year but still clearly higher than the long-term average.

Total personal income (that is income from employment and self-employment, dividends, social security benefits, etc) was about 15 per cent higher in 1976 than in 1975. This compares with a 27 per cent increase between 1974 and 1975. Income from employment, which is the major component of personal income, rose by 14 per cent in 1976, which was considerably less than the 30 per cent increase between 1974 and 1975. Personal disposable income (that is after deduction of taxes and national insurance contributions) rose by 15 per cent between 1975 and 1976; price rises, however, were slightly larger than this so that real personal disposable income fell slightly between the two years.

The level of consumers' expenditure, in real terms, in 1976, was virtually the same as in the previous year. However, in the second half of 1976, consumer spending was about 2 per cent higher than in the same period in 1975. Comparing 1976 as a whole with the previous year, expenditure on food rose slightly, and on beer, by over 2 per cent; expenditure on wines and spirits showed an increase of 8 per cent, but this was concentrated

in the fourth quarter of 1976 and is subject to considerable uncertainty about the changes in distributors' stock levels. Consumption of tobacco was down about 3·5 per cent. Expenditure on housing and fuel and light was very little changed in 1976, and spending on clothing and footwear was up 2 per cent. Durables recovered 7 per cent from the low point of 1975, helped considerably by a 13 per cent rise in expenditure on cars over the year. Expenditure on household durables and on motor vehicles, however, still remained well below the 1973 levels. On the basis of revised estimates for 1975 and provisional estimates for 1976 the personal savings ratio (saving expressed as a percentage of personal disposable income) fell slightly between the two years to 14·2; the 1975 ratio of 14·8 was at an historically high level.

Total fixed investment, at constant prices, was about 4 per cent lower in 1976 than in the previous year. Falls were general across all industries, North Sea oil being the exception, with fixed investment in manufacturing down about 5 per cent and gas, electricity and water down 8 per cent; however, fixed investment in dwellings was virtually unchanged and there was a decline in fixed investment in the transport and communications industries of 19 per cent.

The substantial destocking that took place in 1975 carried through to the first half of 1976 but there appears to have been a turn-round from destocking to stock-building during the middle part of 1976.

Britain's Trade Within the European Community in 1976

Information on Britain's trade with the other member countries of the European Community in 1976 (see also pp 108-13) was published in *Trade and Industry* on 25 March.

In 1976 the first improvement since 1970 occurred in Britain's visible trade balance with the rest of the Community, the deficit declining by £271 million from £2,348 million in 1975 to £2,077 million. Exports to the other member countries in 1976 grew half as fast again as imports, by 44 per cent compared with 29 per cent (see Tables 1 and 2). The value of exports was 81 per cent of the value of imports, the highest proportion since 1972.

TRADE BY COMMODITY

Table 3 analyses Britain's trade with other member countries of the Community by broad commodity group. A commodity breakdown of exports and imports is not available on a balance of payments basis, but the commodities contributing to the movements in the overall deficit can be seen from the 'crude' balance of trade, that is, the difference between exports f.o.b.[1] and imports c.i.f.[2] (although, as the article points out, this is not a good measure of the balance of trade in goods because, among other things, of differences in valuation, these crude balances provide a reasonable indication of the trends in the balances through time).

The main changes between 1975 and 1976 were improvements in crude trade balances for fuels and 'other semi-manufactures' (that is, those classified chiefly by material), partly offset by increased deficits in chemicals and machinery and transport equipment.

Food and Live Animals

Britain's crude trade deficit with other member countries of the Community in food and live animals changed only slightly, from £1,470 million in 1975 to £1,424 million in 1976. This was the result of a 25 per cent rise in the value of exports and a 4 per cent increase in imports. Although the total food balance only moved slightly, this was the product of disparate movements in some of the constituent commodity groups.

Imports of live animals fell in 1976, mainly reflecting a lower level of arrivals of cattle from the Irish Republic, which fell from £89 million in 1975 to £49 million in 1976.

The balance of trade in dairy products improved by £88 million in 1976. Within this commodity group, exports of dried milk and cream more than doubled, while shipments of butter increased from £1 million to £17 million. At the same time the value of imports of each of these commodities fell. It appears that the large increase in butter exports in 1976 reflected rapid movements in monetary compensatory amounts (see p 96, 1975 and pp 171, 238, 1976) which encouraged exports.

The increased deficit in cereals was mainly due to a falling-off of exports of wheat (from £14 million to £2 million) and barley (from £63 million to £13 million). Exports had been high in 1975, reflecting both the good 1974 harvest in Britain and the price structure for cereals at the time of the 1975 harvest, the effect of which was that prices were at that time significantly below Community prices. Falling world prices and a rise in prices in Britain closed the price differentials in 1976 and this, combined with a 1976 harvest some 15 to 20 per cent below 1974 levels, caused the reduction in deliveries. Smaller harvests in 1975 and 1976 reduced supplies from the rest of the Community and shifted demand to third-country suppliers.

Part of the increase in the deficit in fruit and vegetables in 1976 resulted from an increase in imports of potatoes from £19 million (200,000 tons) to £42 million (280,000 tons), reflecting the very poor 1975 and 1976 potato crops.

Imports of sugar from the rest of the Community, at £84 million in 1976, were just under half their 1975 level. Imports from the Community had risen very sharply in the second half of 1974 and at the beginning of 1975, as a consequence of the failure of Britain's 1974 sugar beet harvest and reduced supplies from traditional third-country suppliers.

[1]'Free on board', that is, excluding the cost of insurance and freight.

[2]Cost, insurance and freight', that is, inclusive of the cost of insurance and freight from the country of consignment.

Table 1

United Kingdom Balance of Trade with the rest of the European Community

£ million, balance of payments basis
(percentage change on previous year in parentheses)

	Exports f.o.b.	Imports f.o.b.	Visible balance
1970	2,348	2,304	+44
1971	2,512 (+7)	2,697 (+17)	−185
1972	2,836 (+13)	3,421 (+27)	−585
1973	3,943 (+39)	5,108 (+49)	−1,165
1974	5,565 (+41)	7,571 (+48)	−2,006
1975	6,258 (+12)	8,606 (+14)	−2,348
1976	9,007 (+44)	11,084 (+29)	−2,077

Fuels

Over 95 per cent of Britain's trade in fuels with the Community consists of trade in petroleum and petroleum products. The improvement of £100 million between 1975 and 1976 in the crude trade deficit in this commodity was the result of a 74 per cent increase in exports, and a rise of 27 per cent in imports. Part of the rise in exports was due to an increase in crude oil exports from £20 million in 1975 to £96 million in 1976.

Manufactured and Other Goods

After falling between 1974 and 1975, the crude deficit with the rest of the Community in plastics increased again in 1976. Sharply higher levels of

Table 2

United Kingdom Balance of Trade by Area: All Goods

£ million, balance of payments basis

	Rest of European Community	Rest of Western Europe	North America	Other developed countries	Oil exporting countries	Rest of world	Total
1970	+44	+179	−484	+149	−113	+200	−25
1971	−185	+118	−171	+223	−188	+483	+280
1972	−585	−37	−79	−154	−131	+284	−702
1973	−1,165	−277	−278	−202	−329	−83	−2,334
1974	−2,006	−358	−711	+93	−2,219	−20	−5,221
1975	−2,348	−60	−676	−19	−704	+612	−3,195
1976	−2,077	−16	−822	−6	−709	+38	−3,592

Table 3

United Kingdom Crude Trade Balance with the rest of the European Community by Commodity

£ million, overseas trade statistics basis

Industry group	1972	1973	1974	1975	1976
Food and live animals	−498	−699	−1,220	−1,470	−1,424
Beverages and tobacco	−50	−111	−86	−66	−73
Basic materials	+28	+2	+10	+28	−14
Fuels	−102	−105	−251	−313	−227
Vegetable oils	−11	−13	−32	−30	−30
Chemicals	−14	−33	−107	−6	−76
Other semi-manufactures	+147	+182	−142	−184	+110
Machinery and transport equipment	−73	−321	−262	−229	−398
Other manufactures	−34	−103	−127	−127	−88
Other goods	+27	+27	+20	+27	−2
Total	−580	−1,172	−2,196	−2,369	−2,222
The crude balance in some of the major commodities was*:					
Meat	−187	−238	−329	−310	−336
Dairy produce	−103	−119	−259	−412	−324
Cereals	−49	−128	−284	−261	−360
Fruit and vegetables	−79	−99	−129	−171	−211
Sugar	+2	−3	−68	−152	−58
Petroleum and petroleum products	−90	−105	−270	−343	−243
Plastics	−37	−62	−143	−61	−132
Iron and steel	−29	−73	−293	−312	−315
Precious stones	+78	+185	+184	+146	+289
Machinery	−16	−229	−202	−189	−277
Road motor vehicles	−104	−125	−94	−96	−238

* The crude balance is the difference between exports f.o.b. (free on board) and imports c.i.f. (cost, insurance and freight). Since both sides of the account are valued at the British port, the import figures include, among other things, the cost of freight from the exporting country. Adjustments have to be made both to exports and imports to bring them onto a balance of payments basis in order to arrive at the visible balances shown in Tables 1 and 2.

both exports and imports reflected the increase in economic activity from the very depressed level in 1975. While the deficit was little different in 1976 from its 1974 level, the value of exports in 1976 was 61 per cent of the value of imports, while in 1974 the corresponding proportion was 43 per cent.

After the sharp deterioration in 1974 in the trade balance with the rest of the Community in iron and steel, there has been little change in 1975 and 1976. Although 1976 saw no improvement in the deficit of over £300 million, the value of exports grew by 47 per cent, while imports were 18 per cent higher.

There was a sharp increase in the crude surplus on trade in precious stones in 1976, largely reflecting an increase in diamond exports from £269 million in 1975 to £468 million in 1976. Around 85 per cent of Britain's exports of diamonds to the rest of the Community are dispatched to Belgium/Luxembourg.

The worsening of £88 million in the crude trade deficit with the rest of the Community in machinery in 1976 included an increase in imports of oil and gas production installations from £48 million in 1975 to £138 million in 1976.

Among other types of machinery, exports of tractors, excavating, boring and levelling machinery, televisions and radios, and electrical measuring and controlling instruments all rose rapidly, while shipments of aircraft engines, metal-working machine-tools, textile machinery and electric power machinery were relatively unchanged. The growth in imports of machinery was more widespread than the growth in exports, although arrivals of automatic data processing machines and parts increased significantly faster than average and there was slow growth in deliveries of metal-working machine tools, mechanical handling equipment, and televisions and radios.

The crude trade deficit in road motor vehicles worsened by £142 million in 1976. A substantial deterioration of £240 million in the balance in passenger motor cars, the result of a rise in imports from £337 million (278,000 units) in 1975 to £643 million (362,000 units) in 1976 more than offset improvements in all the other main commodity groups under this heading. Trade in motor vehicle parts, however, in which Britain traditionally runs a surplus, improved as exports grew by 53 per cent and imports by 40 per cent. In 1976, the surplus in this category was £185 million, almost £80 million more than in 1975.

The Government and Chrysler UK Ltd

The Government's response to the report of the Expenditure Committee on public expenditure on Chrysler UK Ltd was published as a White Paper on 10 March.[1] The White Paper notes that the Expenditure Committee report[1] in general endorsed the Government's decision to assist Chrysler when the crisis broke in 1975 and the Chrysler Corporation of the United States threatened to withdraw from the United Kingdom (see p 23, 1976). A number of criticisms were made by the committee over the Government's handling of the crisis, however, and the White Paper sets out the Government's defence of its actions.

A planning agreement has been drawn up between the Government and Chrysler UK.

THE WHITE PAPER

Developments since the 1976 Agreement

The introduction to the White Paper lists the main developments which have followed the agreement between the parties in January 1976. The extensive reorganisation of the assembly facilities at Ryton and Linwood and the transfer of much of the plant and machinery from Maidstone, agreed between the company and the Government, have been carried through successfully and on time. Chrysler has shared in the increased home demand for cars, which has proved to be greater than forecast, although the demand for commercial vehicles has not yet picked up and Chrysler sales are below forecast. New models of both passenger cars and commercial vehicles are being developed and progress is being made towards the integration of design and production with overseas plants. Good industrial relations are being fostered by improved communications and the loss of production through disputes has already been significantly reduced.

In the original rescue plan, the importance both to the company and to the United Kingdom as a whole of the contract under which Chrysler supplied kits of parts to the Iran National Industrial Manufacturing Company (INIM) had been clearly recognised. The volume of kits shipped to Iran has substantially increased and is running above the levels assumed in the rescue plan. INIM's commitment to Chrysler UK has been underlined by a decision to invest a further £25 million in facilities for assembly of Chrysler cars and INIM has reaffirmed its intention to extend its commitment to the company beyond 1980.

Other developments have been the establishment of effective monitoring arrangements and new appointments to make the integration of Chrysler UK into the Chrysler Corporation's European operation more effective.

On the debit side, the depreciation of the rate of exchange of sterling has meant that the Alpine kits imported from France have cost substantially more in sterling terms than was forecast. The company is changing as quickly as possible to British sources for parts and components in order to offset this. The adverse effects on its overall trading position together with higher interest rates has resulted in a loss for 1976 somewhat higher than forecast.

[1] *Public Expenditure on Chrysler UK Ltd.* Cmnd 6745. HMSO, 35p. ISBN 0 10 167450 3.

[1] *Eighth Report from the Expenditure Committee, Session 1975-76, Public Expenditure on Chrysler UK Ltd.* House of Commons Paper 596-I, Vol I Report. HMSO, £1·80. ISBN 0 10 259676 X.

Response to the Report

The second section of the White Paper examines the consequences that could have been expected if the Government had decided against the rescue of Chrysler UK. The closure of the company could have resulted in the loss of some 55,000 jobs, with grave implications for regional unemployment and a cost to the Exchequer of up to £150 million over the period of one year. The closure could also have led to very considerable costs to the balance of payments, estimated by the Government at £200 million a year. Another consideration was the serious political and economic effects of defaulting on the contract with Iran to supply kits of parts for assembly. The White Paper notes that these principal considerations all weighed heavily with the Expenditure Committee.

Detailed replies to specific criticisms made by the committee are given in the following sections of the White Paper. The major areas dealt with by the committee are the Government's anticipation of the crisis, its handling of the negotiations and an examination of the prospects of viability for Chrysler UK, both as it was constituted in 1975 and in the light of the plans agreed between the company, the parent company and the Government. The Government's reasons for believing in the prospect of the company's viability are set out in the White Paper.

On the question of the Government's financial commitments, the White Paper explains the extent of the cost both to the Government and to the Chrysler Corporation and the advantages to both sides of the terms agreed. Other issues dealt with are the timing of the Government's seeking parliamentary approval of the agreement with Chrysler, the effect of the depreciation of the pound on Chrysler UK's profitability, the progress of the planning agreement with Chrysler UK, the company's capacity, transfer pricing, capital expenditure, the size of the Government's negotiating teams, the directors or the company and of the Chrysler Corporation, and the criteria for selective assistance.

In conclusion, the White Paper welcomes the committee's report and the many constructive observations made, while indicating that some of the general criticisms made are not sustained by the evidence. It notes with satisfaction that everyone associated with Chrysler UK is concerned to make it a success.

CONCLUSION OF PLANNING AGREEMENT

The conclusion of a planning agreement with Chrysler UK was announced on 9 March by the Secretary of State for Industry, Mr Eric Varley (*Hansard*, written answers, cols 581-2). The planning agreement is made under the Industry Act 1975 (see p 487, 1975). Mr Varley welcomed the further step forward in relations between Chrysler and the Government which had been thus achieved and in particular, the way in which the company had involved its employees in the preparation of the agreement, which he saw as a contribution to a better understanding between management and workers. He said that consultation did not stop at the agreement but would continue as plans and policies evolved and changed.

Capital Investment in the Steel Industry

On 19 July 1976 the Secretary of State for Industry, Mr Eric Varley, asked the British Steel Corporation (BSC) to carry out a further review of the options for their steelworks at Port Talbot and Shotton in Wales in the light of the latest available information (see p 336, 1976). The conclusions of the BSC's report were announced by Mr Varley on 16 March (*Hansard*, cols 391-403).

The corporation plans to expand its major steelmaking complex at Port Talbot at a cost of around £835 million (at March 1977 prices). Mr Varley said that the review had concluded that the development of the Port Talbot works remained the most economical course of action in steelmaking terms and in supplying users in Britain with quality strip mill products on a fully competitive basis. The corporation recommended proceeding with the development at a deliberate pace so that Port Talbot would reach a capacity of 4 million tonnes of liquid steel by 1981-82 and 6 million tonnes by 1985-86. This programme reflected the slower growth which looked likely in world steel markets up to the mid-1980s. It also reflected what the corporation could realistically aim at in terms of increased market share and in bringing new plant into full operation. The first phase would include a 10,000-tonnes-a-day blast-furnace and a new steelmaking vessel, in addition to the developments authorised in July. The second stage would include further investment to support iron-making, uprating the present steelmaking plant, and additional continuous casting facilities.

The corporation has in addition withdrawn its closure proposals for Shotton. The review concluded that to close Shotton's iron and steel capacity when prospects were uncertain and while Port Talbot was being built up over an extended period might risk a shortage. The corporation is to undertake the necessary expenditure to keep the open-hearth steel plant in prime condition and this decision will not be reviewed during the period of BSC's current five-year plan – that is, not before 1982-83 at the earliest.

Mr Varley said that the Government welcomed the proposals as a realistic plan for the development of the strip mills' activities; they took account of regional and social needs, and the Government agreed to them.

Expenditure

In answer to a parliamentary question on 24 March (*Hansard*, written answers, col 628) Mr Varley said that the original cost of the corporation's development strategy had been estimated at £3,000 million at 1972 prices. The development of Port Talbot being undertaken later than originally envisaged, the lowering of forecasts of future steel demand and increases in capital costs had all contributed to a series of modifications in the timing and detailed content of the strategy, although its main components remained unchanged.

Up to the end of 1975-76 the corporation had spent £1,226 million. The corporation's five-year investment programme would involve expenditure

of £3,446 million from 1976-77 to 1980-81 at 1976 survey prices – that is, a total of £4,672 million.

British Aid Statistics 1975

Figures given in the annual *British Aid Statistics*, prepared by the Ministry of Overseas Development (ODM) and published in March, show that the official flow of resources from Britain to developing countries in 1975 totalled £446·4 million. Of this, total public expenditure on overseas aid accounted for £436·7 million, £422·6 million of which was disbursed under the aid programme, and £9·7 million represented additional aid flows from official sources. Capital repayments on previous loans totalled £43·7 million, thus giving a net official flow figure of £402·7 million.

Of the £436·7 million gross public expenditure on overseas aid, £305·2 million was bilateral (country-to-country) aid, which was disbursed to some 120 countries, and £131·6 million was multilateral aid given through international agencies. Some £96·25 million of bilateral aid was provided as technical co-operation, all in grant form, the remainder being financial assistance, made up of £68·9 million in grants, £112·8 million in intergovernmental loans and £27·3 million in investment by the Commonwealth Development Corporation (see pp 242-4, 1976). Multilateral aid, which was all in grant form, comprised £28·3 million in technical co-operation funds and £103·3 million in financial aid.

Disbursement Patterns

While bilateral aid to non-Commonwealth countries continued to increase, rising to £68·9 million as compared with £47 million in 1974, the bulk, some £236·3 million (77 per cent), went to Commonwealth countries. This included £30·4 million for Britain's dependencies, which remain a first charge on the aid programme, and £7·4 million to the Associated States in the Caribbean. The largest recipient was India with £68·1 million, followed by Bangladesh (£14·3 million), Malawi (£10·7 million), Zambia (£9·9 million), Kenya (£9·5 million) and the Solomon Islands (£8·8 million). Outside the Commonwealth, the major recipients were Jordan (£6·9 million), Indonesia (£6·8 million), Pakistan (£6·55 million), Costa Rica (£4·6 million) and Brazil (£3·35 million).

In line with Britain's policy of concentrating its aid on the poorest developing countries and the poorest groups (that is, the rural poor) in these countries, £135·4 million of bilateral aid was disbursed to countries with *per capita* incomes of $US 200 or less while £69·1 million, 60 per cent of project aid, was provided for the benefit of rural populations.

Loans

Besides inward capital repayments on previous aid programmes' loans amounting to £43·7 million, developing countries paid Britain during the year £41·2 million in interest on such loans. However, since 1965 most new loans have been on interest-free terms. In 1975 some £96·8 million (85 per cent) of the £112·8 million intergovernmental loans disbursed were interest free. New intergovernmental loan commitments entered into in 1974 totalled £40·9 million, of which £36·3 million (nearly 90 per cent) was interest free. Grant commitments in 1975 totalled £248 million, nearly four times the figure in 1974. This reflects the policy, which commenced in 1975, of providing aid to countries with *per capita* incomes of $200 or less on grant terms only unless a country's income prospects are such to make this an inappropriate concession (see p 34, 1976).

Overseas Service

There were 8,347 men and women financed bilaterally from public funds and recruited in Britain serving in developing countries at the end of 1975. Of these, 5,846 were serving under the Overseas Service Aid Scheme or similar supplementation schemes (under which they are in the service of the overseas Government as teachers, doctors, nurses, etc, but receive supplementary salary and other payments from the British Government); 773 under regional technical co-operation schemes; 5 under Commonwealth Education Co-operation arrangements; 328 under British Council schemes; 95 under the auspices of the Inter-University Council for Higher Education Overseas; and 1,300 as volunteers under the British Volunteer Programme. The number of such personnel recruited during the year was 2,958, of which 702 were volunteers. In addition, 231 experts were appointed under multilateral technical co-operation arrangements to serve in developing countries under the United Nations and its specialised agencies.

Of the British-financed personnel overseas at the end of 1975, the largest numbers, some 4,006, were employed in the education sector, followed by 1,568 in economic infrastructure, 1,091 in public administration, 858 in agriculture and allied fields and 524 in health and social welfare. Of the volunteers alone, over 820 were serving in education.

Students in Britain

At the end of 1975 there were 7,921 students and trainees from developing countries on courses in Britain financed from public funds under technical co-operation arrangements. Of these, 5,300 came from Commonwealth countries, the greatest number from Rhodesia (1,047),[1] followed by Cyprus (594), India (500), Bangladesh (327), Nigeria (299) and the Sudan (276). The main fields of study were engineering, education, medicine, natural sciences and social sciences including economics.

United Nations Targets

In recognition of the special importance of official development assistance (this, which differs slightly from total public expenditure on overseas aid is the international basis for reporting on aid performances and is defined as official flows for development

[1] Training in Britain for Rhodesian students is provided under the United Kingdom Special Programme for Rhodesian Africans. This programme was considerably expanded in 1975.

purposes with a grant – concessional – element of 25 per cent or more), the strategy for the Second UN Development Decade, adopted in 1970, included a recommendation that each developed country should progressively increase its official development assistance to the developing countries and exert its best efforts to contribute a minimum net amount of 0·7 per cent of its gross national product (GNP) to them by the middle of the decade. Britain has accepted in principle the 0·7 per cent GNP target and will seek to move towards it as best it can in the years ahead. In 1975 the net official flows total of £402·7 million represented 0·39 per cent of GNP (compared with 0·41 per cent in 1974). Of this, £389 million, or 0·37 per cent of GNP, qualified as official development assistance, and £14 million, or 0·02 per cent of GNP, as other official flows. The equivalent proportions in 1974 were 0·37 per cent and 0·04 per cent respectively. Britain also accepts the UN target of 1 per cent of GNP for total net financial flows (that is, official aid, private investment and other flows) to developing countries, and these totalled £2,596 million or 2·5 per cent of GNP in 1975.

SOCIAL AND CULTURAL AFFAIRS

Immigration

AMENDMENTS TO RULES

Amendments to the Immigration Rules aimed at preventing men from gaining the right to settle in Britain through 'marriages of convenience' were laid before Parliament on 22 March and came into force on the same day. The changes, made under the Immigration Act 1971, provide that where a marriage overseas has been recently contracted by a woman who is settled in Britain the husband will no longer be granted settlement on arrival but will be admitted for a period of up to 12 months before settlement is considered. There will be specific powers to refuse admission or settlement at the outset or after the 12-month period where the marriage is believed to be one of convenience.

A husband will be admitted only if he holds a current entry clearance and an entry clearance will be refused if the officer to whom application is made has reason to believe that the marriage was one of convenience entered into primarily to obtain admission. A man holding an entry clearance will be admitted for an initial period of 12 months if the marriage took place within the 12 months immediately preceding the application for the entry clearance; otherwise he will be admitted for settlement. At the end of the 12-month period a time limit will normally be removed.

A man wishing to enter Britain for marriage to a woman already settled in Britain must hold a current entry clearance which will be refused if there is reason to believe that the proposed marriage would be one of convenience. The holder of such a clearance will be admitted for three months and advised to apply to the Home Office once the marriage has taken place for an extension of stay. If the marriage takes place within the three-month period the man's stay may be extended for a further period not exceeding 12 months, when the time limit will be removed.

An extension of stay or leave to remain will not normally be granted and the time limit on an applicant's stay will not normally be removed if he was in breach of the immigration laws before the marriage; if the marriage has taken place after a decision had been made to deport him; if he has been admitted to marry and has married a woman different from the one originally named; if the marriage has been terminated; or if the Home Secretary has reason to believe that one of the parties no longer intends to live with the other as his or her spouse.

The new Rules, which will apply to all applications outstanding on the date they came into force, are published as: *Statement of Changes in Immigration Rules for Control on Entry: Commonwealth Citizens,* HMSO 10p, ISBN 0 10 223877 4; *Statement of Changes in Immigration Rules for Control after Entry: Commonwealth Citizens,* HMSO 15p, ISBN 0 10 223977 0; *Statement of Changes in Immigration Rules for Control on Entry: EEC and Other Non-Commonwealth Nationals,* HMSO 10p, ISBN 0 10 224077 9; and *Statement of Changes in Immigration Rules for Control after Entry: EEC and Other Non-Commonwealth Nationals,* HMSO 15p, ISBN 0 10 224177 5.

The Future of Broadcasting

THE ANNAN COMMITTEE'S REPORT

Three main objectives for British radio and television are identified in the *Report of the Committee on the Future of Broadcasting,* published on 24 March[1]:

1 to preserve broadcasting as a public service accountable to the public through Parliament;

2 to devise a new structure for broadcasting so that it can evolve over the next 15 years; and

3 to keep editorial independence of the broadcasting organisations free from control by political pressure groups and vested interests.

The Home Secretary, Mr Merlyn Rees, has announced that the Government accepts these aims, and further consideration of the recommendations in the report – on which public comments have been invited by 1 July – will be within the framework provided by them (*Hansard,* 24.3.77, written answers, cols 608-9).

Some of the committee's main findings are summarised below.

[1] Cmnd 6753. HMSO, £7·25. ISBN 0 10 167530 5. The committee, chaired by Lord Annan, the Provost of University College, London, considered the subject for some two and a half years. Its terms of reference (see p 193, 1974) excluded the External Services of the BBC.

Broadcasting Authorities

The committee concluded that British broadcasting should continue to be organised under public broadcasting authorities which are independent of the Government in their day-to-day affairs. The authorities should remain responsible for the content of their programmes and for ensuring that broadcasting services are conducted in the general public interest and in accordance with the requirements and objectives laid down by Parliament.

There should be four broadcasting authorities altogether – the British Broadcasting Corporation (BBC), the Independent Broadcasting Authority (IBA) and two new bodies. The BBC would continue to be the main national instrument of broadcasting in Britain, though it would no longer be responsible for local radio stations. A minority of members of the committee thought that the BBC should become two separate corporations, one providing national television, the other local radio and the External Services.

The IBA would be renamed the 'Regional Television Authority' and would provide a service financed, as at present, by advertising. This service, like the existing one, would be regionally based, and would have special responsibilities for providing regional services. The regional services would, as now, be part of the national network which independent television companies would continue to provide.

Responsibility for local radio – and for other essentially local broadcasting services such as local cable television and radio and hospital and university stations – would be vested in a new 'Local Broadcasting Authority'. Advertising revenue would provide the main source of income for the local radio stations, but the proposed authority should be prepared to consider stations receiving finance from other sources.

The committee also recommends that, when the national economy permits such a development, a fourth television channel (there are at present three – BBC1, BBC2 and Independent Television) should be allocated to the second new organisation, the 'Open Broadcasting Authority'. The new channel 'should not be allowed to develop into another competitive channel'; instead, the proposed authority would be a major innovation in British broadcasting, a home for the sort of minority interests in education (including the Open University) and other topics which, in the committee's view, the other channels have not been able fully to meet. The proposed authority would not itself produce programmes; it would 'publish other people's', including those made by Independent Television companies and independent producers, some of them commissioned by the authority. Finance for the service would be drawn from a variety of sources including 'block' advertising, various forms of sponsored programmes and grants from educational sources.

Accountability

The idea that a commission or council should be set up over the broadcasting authorities is rejected, but the committee suggests new means by which the public could voice opinions on broadcasting. A 'Public Enquiry Board for Broadcasting' is proposed, which would from time to time conduct public enquiries into the performance of each broadcasting authority. There would also be a new 'Broadcasting Complaints Commission' to consider complaints against any of the broadcasting authorities by people who believed that they had been treated unjustly or unfairly in programmes.

The broadcasting authorities themselves, the committee feels, should hold public hearings from time to time in different parts of the country, and should more openly seek the views of the public about the conduct of the services for which they are responsible.

Other Proposals

Among the committee's many other proposals are the following points:

Broadcasting in the Welsh language should start on the fourth channel in Wales as soon as the Government can find the necessary finance (see p 139). Pending the establishment of the Open Broadcasting Authority, the Welsh language service should be operated jointly by the BBC and the IBA.

The BBC should continue to be financed from the revenue of the annual broadcast receiving licence, and not from taxation or advertising.

The present statutory advertising controls on independent television and radio should be retained. (There is no advertising on BBC services.) There should be no advertisements within or between children's programmes; nor should advertisements promoting products or services of particular interest to children be shown before 21.00 hours. The number of 'inappropriate' advertising breaks in programmes should be reduced.

The broadcasting authorities should monitor the amount of violence in their programmes, and should regularly publish their findings. The BBC and the IBA should continue their policy of not showing before 21.00 hours television programmes which may be unsuitable for children.

The BBC and the Independent Television Companies Association should at once devise a combined system for assessing audience ratings for all broadcast channels (each has a separate system at present).

The present restrictions on press holdings in independent television and radio should be retained, but the committee regards it as undesirable for any newspaper to have more than a 10 per cent interest in any television company or radio station and for the total press interest in any company or station to be more than 25 per cent. Particular attention should be given to the aggregate holding of any one press interest in the total broadcasting system. Foreign holdings in independent television companies should be severely limited, although the law need not be changed.

The BBC and the IBA should be authorised to provide teletext information services as an extension of their services. ('Teletext' is the name given to information services shown on television receivers such as the BBC's *CEEFAX* and the

IBA's *ORACLE*, both of which use existing broadcasting processes – see pp 478-9, 1976. Another form of teletext is the Post Office's *Viewdata* which uses the telephone cable network.)

A Telecommunications Advisory Committee should be established to advise the Government on the prospects for, and implications of, technical developments for all telecommunications, including broadcasting. It should report on its work at least every seven years.

A new broadcast traffic information service should be established, but only when the road traffic authorities and the Government consider that they are able to provide and finance it.

For background information on the present organisation of British radio and television see COI reference pamphlet R5531, *Broadcasting in Britain*, and COI fact sheet FSB/E1, *Broadcasting*.

DOCUMENTATION

(Documentation excludes publications referred to in Survey articles)

Government and Administration

List of Overseas Visits by Members of the Royal Family. COI, SN5484.

Peers' expenses allowance. The Government has deferred a decision, because of its pay policy, on a recommendation by the Review Body on Top Salaries that the daily expense allowance for peers attending the House of Lords should be substantially increased. Only peers obliged to use overnight accommodation in London are to receive an increase to cover rises in costs. For them, the daily maximum allowance rises from £13·50 to £16·50. *Review Body on Top Salaries: Report No 9 (Ministers of the Crown and Members of Parliament and the Peers' expenses allowance: Part III).* Cmnd 6749. HMSO, 75p. ISBN 0 10 167490 2.

The Solomon Islands. COI, FS/8.

External Affairs and Defence

Commonwealth Education Conference 1977. COI, Factel No 671.

United Nations No 1 (1977). Report on the proceedings of the Thirty-first Session of the General Assembly (21 September to 22 December 1976) and on the proceedings of the Security Council in 1976. Cmnd 6752. HMSO, £2·10. ISBN 0 10 167520 8.

Second Report from the Expenditure Committee together with . . . evidence taken before the Defence and External Affairs Sub-Committee . . . Session 1976-77: Cumulative Effect of Cuts in Defence Expenditure. HMSO, £1·60. ISBN 0 10 225477 X.

Protocol amending the Consular Convention between the United Kingdom . . . and [Czechoslovakia]. Cmnd 6740. HMSO, 25p. ISBN 0 10 167400 7.

Economic and Scientific Affairs

Minimum Lending Rate (MLR). The Bank of England's MLR fell from 14·5 per cent on 17 December 1976 to 12·25 per cent by 28 January. On 3 February MLR was cut to 12 per cent and the Bank announced that the usual formula for determining MLR [which is in general maintained at 0·5 per cent above the average rate of discount for Treasury Bills] would be suspended until it could be reapplied without reducing the rate below 12 per cent. *Economic Progress Report,* Nos 83 and 84. Prepared by the Information Division of the Treasury. Available from Circulation Section (H), Central Office of Information.

Import Duties Act 1958. Annual Report by the Department of Trade for the year ended 31 March 1976. HMSO, 65p. ISBN 0 10 221777 7.

Exchange of Notes concerning a Development Loan by . . . the United Kingdom . . . to the Government . . . of Turkey in connection with the Gemlik Ammonia Plant Project. Cmnd 6738. HMSO, 25p. ISBN 0 10 167380 9.

Second Report from the Select Committee on Overseas Development Session 1976-77: The Forthcoming UNCTAD Negotiations. House of Commons Paper 222. HMSO, 35p. ISBN 0 10 222277 0.

Employment in the public and private sectors 1971-75. A recent article in *Economic Trends* gives mid-year estimates of employment in Britain by sector and by broad industry group for each year from 1971 to 1975 (see also p 188, 1976). The article shows that the public sector share of total employment increased from 27 per cent in 1971 to 29 per cent in 1975. Although there were transfers of functions among central Government, local authorities and public corporations, there were no transfers between the public sector as a whole and the private sector. *Economic Trends,* No 280, February 1977. HMSO, £1·95. ISBN 0 11 724968 8.

Employment Protection Act 1975 (see pp 7, 45, 130, 229, 1976). From 6 April employees involved in certain types of public service will have a statutory right to reasonable time off work to perform their duties, the Secretary of State for Employment, Mr Albert Booth, said in a statement to the House of Commons on 9 March (*Hansard,* written answers, cols 547-8). The people who can claim time off are: justices of the peace; members of a local authority; members of a statutory tribunal; members of, in England and Wales, a regional or area health authority or, in Scotland, a health board; members of,

in England and Wales, the managing or governing body of an educational establishment maintained by a local education authority or, in Scotland, a school or college council or the governing body of a central institution or a college of education; and members of, in England and Wales, a water authority, or, in Scotland, a water purification board. The employer is not obliged under the Act to pay the employee for such time taken off, and 'reasonable' time off is that which, among other things, takes account of the circumstances of the employer's business and the effect of the employee's absence upon it. Department of Employment press notice, 9.3.77.

New Earnings Survey 1976 (see also p 447, 1976 and pp 42, 137). *Part F. Hours. Earnings by length of service. Earnings of part-time workers.* Department of Employment. HMSO, £1·50. ISBN 0 11 723807 4.

Consumer Credit Act 1974: New Orders and Regulations. The publication on 8 March of seven orders and regulations marked the largest step yet taken in implementing the Consumer Credit Act 1974 (see pp 176-7, 1974). Details of these are given in the Department of Prices and Consumer Protection press notice of 8.3.77, obtainable from 1 Victoria Street, London SW1H 0ET.

Monopolies and Mergers Commission: Pilkington Brothers Ltd and UKO International Ltd – A Report on the Proposed Merger. Mr John Fraser, the Minister of State for Prices and Consumer Protection, announced in the House of Commons (*Hansard*, 24.3.77, written answers, col 590) the conclusion of the report that the proposed merger should not go ahead. The commission had decided that any potential benefits to the public interest would be outweighed by the detrimental consequences, which are listed in the report. Mr Fraser said that the Secretary of State was asking the Director General of Fair Trading to seek an appropriate undertaking from Pilkington not to proceed with the merger. House of Commons Paper 267. HMSO, £1·35. ISBN 0 10 226777 4.

Office of Fair Trading: Annual Report of the Director General of Fair Trading 1976. The third annual report covers the activities of the Office of Fair Trading, the Monopolies and Mergers Commission and the Consumer Protection Advisory Committee. The Director General emphasises the broad base of consumer protection and the close relationship between the office's two main activities – competition policy and consumer protection. HMSO, £1·65. ISBN 0 10 219577 3.

Computerised Mechanical Drawing. The Mechanical Engineering and Machine Tools Requirements Board of the Department of Industry is sponsoring a one-year project to evaluate a computer-based draughting system in a mechanical engineering design office. The department's Computer Aided Design Centre and the Ford Motor Company are jointly undertaking the project. Department of Industry press notice, 30.3.77.

Co-operative Development Agency. Mr Alan Williams, Minister of State for Industry, has set up a joint working group to develop the idea of a co-operative development agency (CDA). The group comprises representatives of the main co-operative organisations and officials from Government departments concerned with co-operation in one or other of its forms.

The concept of a CDA has been discussed within the co-operative movement for many years. The Co-operative Union and Co-operative Parliamentary Group, in particular, have put forward various proposals to the Government. The aim of the present study is to examine the possible role of a CDA to serve co-operative interests, taking account of the many facets of activity including retail and wholesale societies, producer co-operatives (including common ownership firms) and agricultural, fishing, horticultural, housing and credit co-operatives. It is hoped that the working group's conclusions will be available to the Government later this year. Department of Industry press notice, 15.3.77.

Third Report from the Expenditure Committee, Session 1976-77, Inquiry into the Fishing Industry – Progress Report. HMSO, 35p. ISBN 0 10 225577 6.

British Industry Today: Energy. COI, R5977.

Report of the Working Group on Energy Elasticities. Examines the extent to which prices affect energy consumption. Energy Paper No 17. Department of Energy. HMSO, £2. ISBN 0 11 410296 1.

The Port of London. COI, FSB/E5.

Assessment of the Radiological Protection Aspects of Disposal of High Level Waste on the Ocean Floor. By P. D. Grimwood and G. A. M. Webb. National Radiological Protection Board. NRPB – R48. HMSO, 50p. ISBN 0 85951 046 8.

The Work of the NRPB 1974-76. The National Radiological Protection Board's second three-year review. HMSO, £2. ISBN 0 85951 059 X.

Synthetic Detergents. Seventeenth Progress Report of the Standing Committee on Synthetic Detergents. The committee's terms of reference have been changed to include the duty of advising on effects of proposed actions of international agencies on use of surfactants in the United Kingdom. HMSO, 90p. ISBN 0 11 751132 3.

Social and Cultural Affairs

Northern Ireland. Second Report of the Standing Advisory Commission on Human Rights. Annual Report for 1975-76. Discusses existing legislation in the context of human rights, and the new procedure for dealing with complaints against the police (see p 94); makes detailed recommendations on the operation of the electoral law; refers to the commission's study of the need for a Bill of Rights and to its intention to make recommendations on the laws on divorce and homosexual practices. Belfast. HMSO, 35p. ISBN 0 10 213077 9.

Convention on the Taking of Evidence Abroad in Civil or Commercial Matters. (The Hague, 18 March 1970.) The convention entered into force for the United Kingdom on 14 September 1976. Cmnd 6727. HMSO, 35p. ISBN 0 10 167270 5.

Care of the Elderly in Britain. COI, R5858.

Attendance Allowance. Attendance allowance, a social security benefit payable to severely handicapped people needing attention by day or at night (or both), is being extended to cover handicapped children looked after by foster parents. The date of implementation will not be later than 1 September 1977. At present the allowance is payable only to severely handicapped adults and for children living with their parents. Department of Health and Social Security press notice, 21.3.77.

Second Consultative Document on Equal Treatment for Men and Women in Occupational Pension Schemes. The document explains how the Government's legislative proposals for equal treatment for men and women in occupational pension schemes have been developed after consideration of the response to the first consultative document published in 1976 (see pp 367-8, 1976). It also relates the proposals to developments arising from United Kingdom membership of the European Community; the text is printed of the European Commission's January 1977 proposal for a directive concerning the progressive implementation of the principle of equal treatment for men and women in social security matters. Available from the Department of Health and Social Security, Room A731, Alexander Fleming House, Elephant and Castle, London SE1 6BY.

Department of Health and Social Security Handbook of Research and Development 1976. A list of projects supported by the department in the financial year 1975-76. HMSO, £2. ISBN 0 11 320274 1.

The Reorganised National Health Service. Available from the Office of Health Economics, 162 Regent Street, London W1R 6DD. 70p.

Scottish Health Statistics 1975. HMSO, £5·50. ISBN 0 11 880165 1.

The Growth of Comprehensive Education. DES Report on Education No 87. Issued by the Department of Education and Science, Information Division, Room 1/27 Elizabeth House, York Road, London SE1 7PH.

Modern Languages in Comprehensive Schools. A discussion paper by Her Majesty's Inspectorate of Schools. HMSO, 90p. ISBN 0 11 270443 3.

University Grants Committee. Annual Survey. Academic year 1975-76. Cmnd 6750. HMSO, £1. ISBN 0 10 167500 3.

Student Grants. Undergraduate student grants for the academic year 1977-78 will be increased as follows: for students living away from home from £955 to £1,145 (London) and from £875 to £1,010 (elsewhere); and for students living at home from £675 to £785. Postgraduate student grants will also be increased: for students living away from home from £1,380 to £1,655 (London) and from £1,270 to £1,475 (elsewhere); and for students living at home from £925 to £1,075. The starting point for parental contributions will be raised from a residual income of £2,700 to £3,200. *Hansard,* 28.3.77, written answers, cols 62-3.

The West Indian Community. Report from the Select Committee on Race Relations and Immigration, Session 1976-77, Vol 1. The results of an inquiry into the problems, including migration to and from the West Indies, arising from the settlement of the West Indian community in Britain and the progress made. Includes recommendations on immigration, child care, education, young West Indians, relations with the police, and self-help. HMSO £1·35. ISBN 0 10 279477 4. *Vol 2, Evidence.* HMSO, £8·10. ISBN 0 10 280777 9.

Urban Deprivation, Racial Inequality and Social Policy: A Report. The results of an inquiry carried out by the Community Relations Commission at the request of the Government to consider the extent to which the needs of ethnic minority communities differ from those of the rest of the population in areas of urban deprivation and to advise on the implications for community relations policy. HMSO, £1·75. ISBN 0 11 340756 4.

Local Authority Housebuilding. A new working group is being set up to review the methods of managing local authority housebuilding programmes and to consider ways of improving efficiency, simplifying procedures and securing better value for money. *Hansard,* 10.3.77, written answers, col 634.

Historic Buildings and Conservation Areas: Policy and Procedure. A circular issued by the Department of the Environment consolidating and bringing up to date advice on the listing of historic buildings and the designation of conservation areas. HMSO, 75p. ISBN 0 11 751172 2.

The Press. COI, FSB/E2.

Lotteries. Regulations to bring into effect certain provisions of the Lotteries Act 1975 (see p 387, 1975) were approved by Parliament in February. Charitable, sporting and other societies may now promote lotteries subject, among other things, to the condition that the turnover from each shall not exceed £10,000 for short-term (weekly) lotteries, £20,000 for medium-term (monthly) lotteries, and £40,000 for any other lotteries. Local authorities are also permitted for the first time, subject to these same limits, to promote lotteries in support of their expenditure. The Lotteries Act 1975 (Commencement No 2) Order 1977. Statutory Instrument No 409. HMSO, 10p. ISBN 0 11 070409 6.

Cultural Convention between the Government of the United Kingdom ... and the Government of ... Brazil. Cmnd 6729. HMSO, 15p. ISBN 0 10 167290 X.

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